

RESOLUTION OF THE BOARD OF THE NATIONAL BANK OF THE REPUBLIC OF
BELARUS

28 September, 2006. No. 137

**On Approval of the Instruction on Safe Operation Norms for Banks,
'Development Bank of the Republic of Belarus' Joint-Stock
Company and Non-Bank Credit and Financial Institutions**

Amendments and additions:

Resolution of the Board of the National Bank of the Republic of Belarus dated 31 May, 2007. No.117 (National Register of Legal Acts of the Republic of Belarus, 2007, No.158, 8/16713);

Resolution of the Board of the National Bank of the Republic of Belarus dated 31 October, 2008. No.159 (National Register of Legal Acts of the Republic of Belarus, 2008, No.302, 8/19875);

Resolution of the Board of the National Bank of the Republic of Belarus dated 30 January, 2009. No.9 (National Register of Legal Acts of the Republic of Belarus, 2009, No.55, 8/20511);

Resolution of the Board of the National Bank of the Republic of Belarus dated 23 September, 2009. No.159 (National Register of Legal Acts of the Republic of Belarus, 2009, No.240, 8/21468);

Resolution of the Board of the National Bank of the Republic of Belarus dated 25 May, 2010. No.175 (National Register of Legal Acts of the Republic of Belarus, 2010, No.148, 8/22451);

Resolution of the Board of the National Bank of the Republic of Belarus dated 30 March, 2011. No.113 (National Register of Legal Acts of the Republic of Belarus, 2011, No.49, 8/23585) – amendments and additions are made that came into force on 3 May, 2011, except for amendments and additions that will come into force on 1 December, 2011, and 1 January, 2012;

Resolution of the Board of the National Bank of the Republic of Belarus dated 30 March, 2011. No.113 (National Register of Legal Acts of the Republic of Belarus, 2011, No.49, 8/23585) - amendments and additions are made that came into force on 3 May, 2011, and 1 December, 2011, except for amendments and additions that will come into force on 1 January, 2012;

Resolution of the Board of the National Bank of the Republic of Belarus dated 30 March, 2011. No.113 (National Register of Legal Acts of the Republic of Belarus, 2011, No.49, 8/23585) - amendments and additions are made that came into force on 3 May, 2011, 1 December, 2011, and 1 January, 2012;

Resolution of the Board of the National Bank of the Republic of Belarus dated 29 September 2011. No.413 (National Register of Legal Acts of the Republic of Belarus, 2011, No.123, 8/24309) - amendments and additions are made that came into force on 1 December, 2011, except for amendments and additions that will come into force on 1 January, 2012;

Resolution of the Board of the National Bank of the Republic of Belarus dated 29 September 2011. No.413 (National Register of Legal Acts of the Republic of Belarus, 2011, No.123, 8/24309) - amendments and additions are made that came into force on 1 December, 2011, and 1 January, 2012;

Resolution of the Board of the National Bank of the Republic of Belarus dated 11 June, 2012. No.285 (National Register of Legal Acts of the Republic of Belarus, 2012, No.72, 8/26064);

Resolution of the Board of the National Bank of the Republic of Belarus dated 30 October, 2012. No.552 (National Legal Internet Portal of the Republic of Belarus, 01.12.2012, 8/26568);

Resolution of the Board of the National Bank of the Republic of Belarus dated 20 March, 2013. No.163 (National Legal Internet Portal of the Republic of Belarus, 04.04.2013, 8/27324);

Resolution of the Board of the National Bank of the Republic of Belarus dated 10 June, 2013. No.353 (National Legal Internet Portal of the Republic of Belarus, 12.07.2013, 8/27684) – **will come into force on 1 October, 2013;**

Resolution of the Board of the National Bank of the Republic of Belarus dated 9 August, 2013. No.472 (National Legal Internet Portal of the Republic of Belarus, 23.08.2013, 8/27812);

Resolution of the Board of the National Bank of the Republic of Belarus dated 20 September 2013. No.544 (National Legal Internet Portal of the Republic of Belarus, 02.10.2013, 8/27924) - amendments and additions are made that came into force on 3 October, 2013, except for amendments and additions that will come into force on 1 January, 2014;

Resolution of the Board of the National Bank of the Republic of Belarus dated 20 September 2013. No.544 (National Legal Internet Portal of the Republic of Belarus, 02.10.2013, 8/27924) - amendments and additions are made that came into force on 3 October, 2013, and 1 January, 2014;

Resolution of the Board of the National Bank of the Republic of Belarus dated 27 November, 2013. No.687 (National Legal Internet Portal of the Republic of Belarus, 20.12.2013, 8/28154) - amendments and additions are made that came into force on 1 January, 2014, except for amendments and additions that will come into force on 24 January, 2014;

Resolution of the Board of the National Bank of the Republic of Belarus dated 27 November, 2013. No.687 (National Legal Internet Portal of the Republic of Belarus, 20.12.2013, 8/28154) - amendments and additions are made that came into force on 1 January, 2014, and 24 January, 2014;

Resolution of the Board of the National Bank of the Republic of Belarus dated 4 April, 2014. No.209 (National Legal Internet Portal of the Republic of Belarus, 20.05.2014, 8/28673);

Resolution of the Board of the National Bank of the Republic of Belarus dated 1 August, 2014. No.496 (National Legal Internet Portal of the Republic of Belarus, 11.09.2014, 8/29104);

Resolution of the Board of the National Bank of the Republic of Belarus dated 19 August, 2014. No.529 (National Legal Internet Portal of the Republic of Belarus, 30.09.2014, 8/29146);

Resolution of the Board of the National Bank of the Republic of Belarus dated 29 December, 2014. No.836 (National Legal Internet Portal of the Republic of Belarus, 31.12.2014, 8/29454);

Resolution of the Board of the National Bank of the Republic of Belarus dated 7 April, 2015. No.217 (National Legal Internet Portal of the Republic of Belarus, 26.04.2015, 8/29830);

Resolution of the Board of the National Bank of the Republic of Belarus dated 26 May, 2015. No.322 (National Legal Internet Portal of the Republic of Belarus, 29.05.2015, 8/29945);

Resolution of the Board of the National Bank of the Republic of Belarus dated 31 July, 2015. No.462 (National Legal Internet Portal of the Republic of Belarus, 22.08.2015, 8/30171) - **will come into force on 1 November, 2015;**

Resolution of the Board of the National Bank of the Republic of Belarus dated 13 August, 2015. No.482 (National Legal Internet Portal of the Republic of Belarus, 05.09.2015, 8/30209);

Resolution of the Board of the National Bank of the Republic of Belarus dated 11 December, 2015. No.735 (National Legal Internet Portal of the Republic of Belarus, 31.12.2015, 8/30517) - amendments and additions are made that came into force on 1 January, 2016, except for amendments and additions that will come into force on 1 October, 2016;

Resolution of the Board of the National Bank of the Republic of Belarus dated 2 March, 2016. No.109 (National Legal Internet Portal of the Republic of Belarus, 18.03.2016, 8/30769) - **will come into force on 1 July, 2016;**

Resolution of the Board of the National Bank of the Republic of Belarus dated 31 March, 2016. No.171 (National Legal Internet Portal of the Republic of Belarus, 19.04.2016, 8/30848) - **will come into force on 1 May, 2016;**

Resolution of the Board of the National Bank of the Republic of Belarus dated 29 June, 2016. No.361 (National Legal Internet Portal of the Republic of Belarus, 26.07.2016, 8/31115) - **will come into force on 5 August, 2016;**

Resolution of the Board of the National Bank of the Republic of Belarus No. 98 dated March 14, 2017 (National Legal Internet Portal of the Republic of Belarus, 31.03.2017, 8/31907);

Resolution of the Board of the National Bank of the Republic of Belarus No. 180 dated May 18, 2017 (National Legal Internet Portal of the Republic of Belarus, 13.07.2017, 8/32187);

Resolution of the Board of the National Bank of the Republic of Belarus No.536 dated December 27, 2017 (National Legal Internet Portal of the Republic of Belarus, 31.12.2017, 8/32675);

Resolution of the Board of the National Bank of the Republic of Belarus No.571 dated December 03, 2018 (National Legal Internet Portal of the Republic of Belarus, 28.12.2018, 8/33701);

Resolution of the Board of the National Bank of the Republic of Belarus No.47 dated January 28, 2019 (National Legal Internet Portal of the Republic of Belarus, 08.02.2019, 8/33852).

On the grounds of Articles 26, 34, 111–117, 122 of the Banking Code of the Republic of Belarus, the Board of the National Bank of the Republic of Belarus hereby RESOLVES:

1. To approve the Instruction on Safe Operation Norms for Banks, *'Development Bank of the Republic of Belarus' Joint-Stock Company* and Non-bank credit and financial Institutions (enclosed).

2. When the banks, *'Development Bank of the Republic of Belarus' Joint-Stock Company* (hereinafter referred to as the *Development Bank JSC*), non-bank credit and financial institutions calculate their assets and liabilities not booked on balance accounts, in accordance with the Instruction on Safe Operation Norms for banks, *'Development Bank of the Republic of Belarus' Joint-Stock Company* and Non-bank credit and financial Institutions (hereinafter referred to as the Instruction), the banks of the Russian Federation shall be classified as the banks of Group C if their ratings are as follows:

Moody's Investors Service – long-term rating from Baa1 to B3;

Fitch – long-term credit rating from BBB+ to B–;

Standard & Poor's – long-term rating from BBB+ to B–.

3. Subordinated credits (loans, deposits), raised in accordance with contracts concluded before this Resolutions coming into force shall be included into calculation of the normative capital of a bank or a non-bank credit and financial institution in accordance with the procedure set by the Instruction until the expiration of the period of validity of these contracts or until making amendments and (or) additions in these contracts.

After making amendments and (or) additions in the aforementioned contracts, subordinated credits (loans) raised in accordance with them shall be included into calculation of the normative capital of a bank or a non-bank credit and financial institution subject to bringing these contracts to conformity with the requirements of the Instruction.

4. To authorize the Chairman of the Board of the National Bank to increase for a bank, the *Development Bank JSC* or a non-bank credit and financial institution the amounts of norms of limitation of the exchange risk not more than 1.5 times, if a bank, the *Development Bank JSC* or a non-bank credit and financial institution observes during the recent 12 months the safe operation norms set by the National Bank.

5. The structural subdivisions of the central office of the National Bank of the Republic of Belarus shall ensure bringing of normative legal acts of the National Bank of the Republic of Belarus in conformity with this Resolutions until 1 December, 2006.

6. To withdraw Clause 5 from Resolution of the Board of the National Bank of the Republic of Belarus dated 29 December, 2005, No.185 *On Replacement of Money in Foreign Currency in Statutory Funds of Banks of the Republic of Belarus by Belarusian Rubles* (National Register of Legal Acts of the Republic of Belarus, 2006, No.19, 8/13800).

7. To declare the following to be no longer in force:

Resolution of the Board of the National Bank of the Republic of Belarus dated 28 June, 2004, No.92 *On Approval of the Instruction on Economic Norms for Banks and Non-bank credit and financial Institutions* (National Register of Legal Acts of the Republic of Belarus, 2004, No.121, 8/11272);

Resolution of the Board of the National Bank of the Republic of Belarus dated 18 November, 2004, No.173 *On Making Additions and Amendments in the Resolutions of the Board of the National Bank of the Republic of Belarus* dated 28 June, 2004, No.92, and 26 August, 2004, No.135 (National Register of Legal Acts of the Republic of Belarus, 2004, No.191, 8/11726);

Resolution of the Board of the National Bank of the Republic of Belarus dated 21 December, 2004, No.187, *On the Procedure of Coming into Force for the Fifth Part of Clause 5 of the Instruction on Economic Norms for Banks and Non-bank credit and financial Institutions, On Making Amendments in Resolution of the Board of the National Bank of the Republic of Belarus dated 28 June, 2004, No.92, and On Approval of the Reporting Form* (National Register of Legal Acts of the Republic of Belarus, 2005, No.4, 8/11873);

Resolution of the Board of the National Bank of the Republic of Belarus dated 30 June, 2005, No.92 *On Making Amendments and Additions in Several Normative Legal Acts of the National Bank of the Republic of Belarus on the Matter of Regulation of Activity of Banks and Non-bank credit and financial Institutions* (National Register of Legal Acts of the Republic of Belarus, 2005, No.120, 8/12902);

Resolution of the Board of the National Bank of the Republic of Belarus dated 5 October, 2005, No.146 *On Making Amendments and Additions in the Instruction on Economic Norms for Banks and Non-bank credit and financial Institutions* (National Register of Legal Acts of the Republic of Belarus, 2005, No.173, 8/13276);

Resolution of the Board of the National Bank of the Republic of Belarus dated 31 January, 2006, No.16 *On Making Amendments and Additions in the Resolutions of the Board of the National Bank of the Republic of Belarus* dated 28 June, 2004, No.92, and 26 August, 2004, No.135 (National Register of Legal Acts of the Republic of Belarus, 2006, No.38, 8/13964);

Resolution of the Board of the National Bank of the Republic of Belarus dated 15 June, 2006, No.88 *On Making an Amendment in the Instruction on Economic Norms for Banks and Non-bank credit and financial Institutions* (National Register of Legal Acts of the Republic of Belarus, 2006, No.103, 8/14602).

8. This Resolution shall come into force since 1 January, 2007, except for Clause 5 that shall come into force since the day when this Resolution is included into National Register of Legal Acts of the Republic of Belarus.

APPROVED

Resolution of the Board of
the National Bank of the
Republic of Belarus
28.09.2006, No.137

**INSTRUCTION ON SAFE OPERATION NORMS
for Banks, *'Development Bank of the Republic of Belarus' Joint-Stock Company* and Non-
bank credit and financial Institutions**

**SECTION I
GENERAL PROVISIONS**

**CHAPTER 1
TERMS AND DEFINITIONS**

1. This Instruction sets the norms of safe operation for banks, *'Development Bank of the Republic of Belarus' Joint-Stock Company* and non-bank credit and financial institutions registered in the territory of the Republic of Belarus (hereinafter, unless otherwise specified, referred to as banks, the *Development Bank JSC* and non-bank credit and financial institutions), the unified procedure for calculation of the normative capital, assets and liabilities, amounts of risk, the procedure for assessment of compliance with safe operation norms set for banks, the *Development Bank JSC* and non-bank credit and financial institutions, and the procedure for implementation of banking supervision (hereinafter referred to as supervision) of compliance of banks, the *Development Bank JSC* and non-bank credit and financial institutions with safe operation norms.

Supervision over compliance of banks, the *Development Bank JSC* and non-bank credit and financial institutions with safe operation norms shall be implemented by the National Bank on the grounds of reporting submitted by banks, the *Development Bank JSC* and non-bank credit and financial institutions in accordance with the banking legislation (hereinafter referred to as the reporting) and within the scope of inspections of banks, the *Development Bank JSC* and non-bank credit and financial institutions.

2. For the purposes of this Instruction, the following terms and definitions shall be used with the following meaning:

2.1. credit indebtedness – an indebtedness (except for the indebtedness of other banks, the *Development Bank JSC* and non-bank credit and financial institutions) resulting from rendering of credits, amounts in repurchase transactions, issuing (sale) of bills of exchange with the deferred payment, implementation of financial leasing, factoring, fulfillment of given liabilities by a bank, the *Development Bank JSC* or a non-bank credit and financial institution instead of third parties and from other active transactions prone to the credit risk;

2.2. client (counteragent) – a legal entity, its branches, representative offices, a natural person including an individual entrepreneur with whom a bank, the *Development Bank JSC* or a non-bank credit and financial institution carry out banking and other transactions.

2.2¹. counteragent in contingent liabilities – a person that, as a result of fulfillment of a contingent liability by a bank, the *Development Bank JSC* or a non-bank credit and financial institution becomes:

in cases when in accordance with the legislation and (or) the provisions of the contract(s) the fulfillment of liabilities towards a bank, the *Development Bank JSC* or a non-bank credit and financial institution is unconditional and irrevocable – a debtor of a bank, the *Development Bank JSC* or a non-bank credit and financial institution, in accordance with the provisions of the contract(s);

in cases when several persons jointly and severally liable in fulfillment of liabilities towards a bank, the *Development Bank JSC* or a non-bank credit and financial institution become debtors of a bank, the *Development Bank JSC* or a non-bank credit and financial institution – one of debtors defined by a bank, the *Development Bank JSC* or a non-bank credit and financial institution according to a procedure set by it in accordance with the legislation;

in cases when several persons bearing secondary liability in fulfillment of liabilities towards a bank, the *Development Bank JSC* or a non-bank credit and financial institution become debtors of a bank, the *Development Bank JSC* or a non-bank credit and financial institution – the principal debtor in accordance with the legislation and (or) the provisions of the contract(s).

In cases when in accordance with the legislation and (or) provisions of the contract(s) fulfillment of liabilities by a debtor of a bank, the *Development Bank JSC* or a non-bank credit and financial institution towards a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall be carried out after fulfillment of liabilities by third parties towards a debtor, the counteragents of a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall mean these third parties;

2.2². A systemically important borrower is a legal entity (except for republican state administration bodies, the National Bank, banks, non-bank credit and financial institutions, *Development Bank JSC*), which is a bank client (counterparty), whose aggregate amount of debt owed to a bank or other banks of the Republic of Belarus totals to 10% and more in the aggregate regulatory capital of banks of the Republic of Belarus;

2.3. guarantee liabilities – liabilities to make payments in case of failure of a client of a bank, the *Development Bank JSC* or a non-bank credit and financial institution to fulfill its liabilities towards other creditors including liabilities with regard to guarantees and suretyships, liabilities resulting from acceptances, avals, endorsements;

2.3¹. encumbered assets – money (except for those transferred under repo transactions) in banks, the *Development Bank JSC* or non-bank credit and financial institutions, securities (except for those sold under repo transactions), credit indebtedness and other assets with regard to which, in accordance with the provisions of transactions concluded by a bank, the *Development Bank JSC* or a non-bank credit and financial institution, a counteragent or third parties have a right or, in cases and in accordance with the procedure stipulated by concluded transactions, will obtain a right to alienate the aforementioned assets without the consent of a bank, the *Development Bank JSC* or a non-bank credit and financial institution except for cases when payment (remuneration, commission) is collected for services rendered in accordance with the contract for allocation of the appropriate asset;

2.4. international financial institutions and development banks – Bank for International Settlements, International Monetary Fund, European Central Bank, European Union, European Stability Mechanism (ESM), European Financial Stability Facility (EFSF), International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), International Development Association (IDA), Asian Development Bank (ADB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), European Investment Bank (EIB), European Investment Fund (EIF), Nordic Investment Bank (NIB), Caribbean Development Bank (CDB), Islamic Development Bank (IDB), Council of Europe Development Bank (CEDB), International Finance Facility for Immunization (IFFIm),

Asian Infrastructure Investment Bank (AIIB), Eurasian Development Bank (EDB), Interstate Bank;

2.5. the term *financial instrument* shall have a meaning defined by the National Financial Reporting Standard 32 *Financial Instruments: Presentation* (NFRS 32) approved by the Resolution of the Board of Directors of the National Bank of the Republic of Belarus dated 27 December, 2007, No.406;

2.6. derivative financial instrument – a derivative security and (or) other financial instrument resulting in acquisition of a right and (or) setting a duty to buy or sell a basic asset. Basic assets of a derivative financial instrument may include money securities, other currency valuables, precious metals, interest rates, credit resources, stock indices, standardized services, commodities and other assets being the subjects of transactions carried out in the territory of the Republic of Belarus and (or) beyond it;

2.7. the terms *fair value*, *hedging*, *hedging efficiency* and *hedging instrument* shall have a meaning defined by the National Financial Reporting Standard 39 *Financial Instruments: Recognition and Measurement* (NFRS 39) approved by the Resolution of the Board of Directors of the National Bank of the Republic of Belarus dated 29 December, 2005, No.422;

2.8. trading portfolio – the combination of positions in financial instruments held for the purpose of short-term (not longer than one year) sales, receiving of profit from short-term price variations as well as for hedging of variations in values of financial instruments or future cash flows for these financial instruments; these positions contain no conditions limiting their purchase and (or) sale, and taken into account at a fair value.

2.9. retail portfolio – the combination of assets (claims) and (or) liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution for provision of money meeting the conditions as follows:

the counteragents are natural persons including individual entrepreneurs; and

the aggregate amount of assets (claims) and (or) liabilities for provision of money with regard to a single counteragent in accordance with initial contract(s) (supplementary agreement(s) for these contract(s)) must not exceed the amount equivalent to 125 thousand Belarusian Rubles; and

the aggregate amount of assets (claims) and (or) liabilities for provision of money with regard to a single counteragent in accordance with initial contract(s) (supplementary agreement(s) for these contract(s)) must not exceed 0.5 per cent of the aggregate amount of the retail portfolio calculated for all contracts.

As for the counteragents being the natural persons but not individual entrepreneurs, the indebtedness and (or) liabilities for provision of money in credits for consumer's needs and overdraft lending shall be included into the retail portfolio;

2.10. precious metals – gold, silver, platinum, palladium in bank bullion bars, weighted bullion bars and coins.

Bank bullion bars are bullion bars of gold, silver, platinum and palladium meeting the technical regulations or state standards for gold, silver, platinum, palladium in bullion bars being in force in the territory of the Republic of Belarus or the requirements of the London Bullion Market Association (LBMA) or London Platinum and Palladium Market (LPPM).

Weighted bullion bars are bullion bars of gold, silver, platinum and palladium meeting the standards of the bullion bar manufacturing state;

2.11. position – the amount of claims or liabilities for a financial instrument, foreign currency, precious metal, commodities or other asset;

2.12. long position – claims (or right of a claim) for a financial instrument, foreign currency, precious metal, delivery of commodities or other asset. A long position has a positive sign (+);

2.13. short position – obligations for transfer of a financial instrument, foreign currency, precious metal, delivery of commodities or other asset. A short position has a negative sign (-);

2.14. net position – a position defined as the difference between long and short positions;

- 2.15. gross position – a sum of all positions, not considering their signs;
- 2.16. open position – a position where the sum of claims and the sum of liabilities differ;
- 2.17. closed position – a position where the sum of claims and the sum of liabilities are equal;
- 2.18. weighted position – a position multiplied by the appropriate degree of risk;
- 2.19. debt instruments:
- fixed rate or floating rate bonds;
 - deposit certificates;
 - saving certificates;
 - mortgage bonds;
 - bills of exchange;
 - securities that can be exchanged for securities listed in the second – sixth paragraphs of this subclause;
 - nonconvertible preferred shares;
 - other similar securities, with their price depending on interest rate variations;
 - derivative financial instruments, with their basic assets being the securities listed in this subclause as well as interest rates or interest indices;
- 2.20. equity instruments:
- shares (except for nonconvertible preferred shares);
 - depository receipts;
 - securities that can be exchanged for securities listed in the second and third paragraphs of this subclause;
 - other similar securities, with their price depending on variations of prices of equity instruments;
 - derivative financial instruments, with their basic assets being the securities listed in this subclause or stock indices;
- 2.21. interrelated claims and liabilities – claims and liabilities (except for the guarantee money deposit, other methods to secure fulfillment of liabilities of a client (counteragent), a guarantor (surety)) that, by virtue of provisions of contract(s) and (or) legislation, are interrelated in such a way that the necessity to return raised money and (or) to fulfill other liabilities arises for a bank, the *Development Bank JSC* or a non-bank credit and financial institution only if its appropriate claims are fulfilled in an amount sufficient to fulfill the aforementioned liabilities, and meet the conditions as follows:
- in contracts related to money raising by a bank, the *Development Bank JSC* or a non-bank credit and financial institution, there are no provisions for the contract termination and (or) early return of raised money upon the initial creditor's initiative;
 - the period remaining to the return of raised money by a bank, the *Development Bank JSC* or a non-bank credit and financial institution is longer than the period of asset repayment (return) and (or) the residual period of validity of contingent liabilities;
 - the claim currency is the same as the liability currency, or the risk of variation of the claim currency exchange rate versus the liability currency has been hedged by a bank, the *Development Bank JSC* or a non-bank credit and financial institution;
 - the initial creditor, in accordance with the legislation of its location (residence) country, carries out the risk assessment in appropriate transactions for the purposes of calculation of sufficiency of the capital, major risks and formation of reserves to cover possible losses (if these requirements are set for this creditor by the legislation) with regard to the ultimate debtor and does not carry it out with regard to a bank, the *Development Bank JSC* or a non-bank credit and financial institution;
 - fulfillment of liabilities by a bank, the *Development Bank JSC* or a non-bank credit and financial institution towards the initial creditor is not secured by the guarantee money deposit, by the transfer of title to the property including the title to the property rights towards the initial creditor (or, by the latter's instruction or order, towards the third party), by the pledge of

property, by the guarantee, suretyship and (or) by other methods for securing the fulfillment of liabilities except for transfer, as a security, of claims of a bank, the *Development Bank JSC* or a non-bank credit and financial institution interrelated with these liabilities;

in case of an ultimate debtor's failure to redeem the claims of a bank, the *Development Bank JSC* or a non-bank credit and financial institution during 90 days from the payment due date, the contracts provide for the cession of these claims to the initial creditor and (or) the procedure of termination of appropriate interrelated claims and liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution during the next 90 days. The claim cession, however, must not provide for the discount. For the purposes of this paragraph, the discount shall mean the difference between the aggregate amount of claims towards the debtor and the aggregate amount of claims transferred (ceded) to the initial creditor;

a bank, the *Development Bank JSC* or a non-bank credit and financial institution has no liabilities to repay raised money, to pay interests for using these money and other payments, unless it received appropriate payments from the ultimate debtor with the amount of these payments sufficient to fulfill the aforementioned liabilities;

a bank, the *Development Bank JSC* or a non-bank credit and financial institution has no liabilities to compensate losses (expenses) and (or) to pay a forfeit (fine, penalty) to the initial creditor (or, by the latter's instruction or order, to the third party) in case of ultimate debtor's failure to fulfill, late fulfillment or incomplete fulfillment of claims of a bank, the *Development Bank JSC* or a non-bank credit and financial institution;

the ultimate debtor and the initial creditor must not be the same entity.

These claims and liabilities shall not be included in calculation of liquidity norms, normative capital sufficiency, maximum risk amount per debtor (or a group of interrelated debtors), the aggregate amount of major risks, the maximum amount of risk per insider and interrelated persons, the aggregate amount of risks with regard to insiders and interrelated persons, the maximum amount of risk for funds placed in countries not included into the Group A.

The claims of a bank, the *Development Bank JSC* or a non-bank credit and financial institution towards another bank, the *Development Bank JSC* or a non-bank credit and financial institution that can be recognized, in accordance with this subclause, as the claims interrelated with the claims towards a third party, shall be included in calculation of safe operation norms as the claims towards this third party.

For the purposes of this subclause, the ultimate debtor shall mean a party with regard to which the claims arise for a bank, the *Development Bank JSC* or a non-bank credit and financial institution interrelated with the liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution as it is provided for by the first part of this subclause. For the purposes of this subclause, the initial creditor shall mean a party with regard to which the liabilities arise for a bank, the *Development Bank JSC* or a non-bank credit and financial institution interrelated with the claims of a bank, the *Development Bank JSC* or a non-bank credit and financial institution as it is provided for by the first part of this subclause;

2.22. withdrawn;

2.23. conservatism principle – adherence to cautiousness during application of considerations necessary for assessment of the current condition of the normative capital for a bank, the *Development Bank JSC* or a non-bank credit and financial institution, its risks, assets, liabilities and transactions not booked in the balance sheet under uncertainty in such a way that the indices depicting the compliance with safe operation norms are assessed in terms of the highest risk accepted by a bank, the *Development Bank JSC* or a non-bank credit and financial institution;

2.24. amount of a risk (credit, transactional, market risk) – quantitative assessment of possible damages (losses) as a result of risk occurrence;

2.25. Group A countries – countries having the following ratings set by rating agencies listed below, when these ratings are specified in publications of these rating agencies and on their official websites in Internet (hereinafter referred to as ratings):

Moody's Investors Service – long-term rating from Aaa to Aa3;

Fitch – long-term rating from AAA to AA–;

Standard & Poor's – long-term rating from AAA to AA–;

2.26. Group B countries – countries having the following ratings:

Moody's Investors Service – long-term rating from A1 to A3;

Fitch – long-term rating from A+ to A–;

Standard & Poor's – long-term rating from A+ to A–;

2.27. Group C countries – countries having the following ratings:

«Moody's Investors Service» – long-term rating from Baa1 to Baa3;

Fitch – long-term rating from BBB+ to BBB–;

Standard & Poor's – long-term rating from BBB+ to BBB–;

2.28. Group D countries – countries having the following ratings:

Moody's Investors Service – long-term rating from Ba1 to B3;

Fitch – long-term rating from BB+ to B–;

Standard & Poor's – long-term rating from BB+ to B–;

countries having no rating;

2.29. Group E countries – countries having the following ratings:

Moody's Investors Service – long-term rating below B3;

Fitch – long-term rating below B–;

Standard & Poor's – long-term rating below B–;

2.29¹. Group A international development banks – international development banks except for those listed in Subclause 2.4 of this Clause, having the following ratings:

Moody's Investors Service – long-term rating from Aaa to Aa3;

Fitch – long-term rating from AAA to AA–;

Standard & Poor's – long-term rating from AAA to AA–;

2.29². Group B international development banks – international development banks except for those listed in Subclause 2.4 of this Clause, having the following ratings:

Moody's Investors Service – long-term rating from A1 to A3;

Fitch – long-term rating from A+ to A–;

Standard & Poor's – long-term rating from A+ to A–;

2.29³. Group C international development banks – international development banks except for those listed in Subclause 2.4 of this Clause, having the following ratings:

Moody's Investors Service – long-term rating from Baa1 to Baa3;

Fitch – long-term rating from BBB+ to BBB–;

Standard & Poor's – long-term rating from BBB+ to BBB–;

международные банки развития, не имеющие рейтинга;

2.29⁴. Group D international development banks – international development banks except for those listed in Subclause 2.4 of this Clause, having the following ratings:

Moody's Investors Service – long-term rating from Ba1 to B3;

Fitch – long-term rating from BB+ to B–;

Standard & Poor's – long-term rating from BB+ to B–;

2.29⁵. Group E international development banks – international development banks except for those listed in Subclause 2.4 of this Clause, having the following ratings:

Moody's Investors Service – long-term rating below B3;

Fitch – long-term rating below B–;

Standard & Poor's – long-term rating below B–;

2.30. Group A banks – banks having the following ratings:

Moody's Investors Service – long-term rating from Aaa to Aa3;

Fitch – long-term rating from AAA to AA–;

Standard & Poor's – long-term rating from AAA to AA–;

2.31. Group B banks – banks having the following ratings:

Moody's Investors Service – long-term rating from A1 to A3;

Fitch – long-term rating from A+ to A–;

Standard & Poor's – long-term rating from A+ to A–;

banks having no rating and being the residents of countries of Group A, Group B and Group C;

2.31¹. Group C banks – banks having the following ratings:

Moody's Investors Service – long-term rating from Baa1 to Baa3;

Fitch – long-term rating from BBB+ to BBB–;

Standard & Poor's – long-term rating from BBB+ to BBB–;

banks having no rating and being the residents of countries of Group A, Group B and Group C;

2.32. Group D banks – banks having the following ratings:

Moody's Investors Service – long-term rating from Ba1 to B3;

Fitch – long-term rating from BB+ to B–;

Standard & Poor's – long-term rating from BB+ to B–;

banks having no rating and being the residents of countries of Group D;

2.33. Group E banks – banks having the following ratings:

Moody's Investors Service – long-term rating below B3;

Fitch – long-term rating below B–;

Standard & Poor's – long-term rating below B–;

banks having no rating and being the residents of countries of Group E;

2.34. Group A legal entities – legal entities (except for banks) having the following ratings:

Moody's Investors Service – long-term rating from AAA to AA3;

Fitch – long-term rating from AAA to AA–;

Standard & Poor's – long-term rating from AAA to AA–;

2.35. Group B legal entities – legal entities (except for banks) having the following ratings:

Moody's Investors Service – long-term rating from A1 to A3;

Fitch – long-term rating from A+ to A–;

Standard & Poor's – long-term rating from A+ to A–;

2.36. Group C legal entities – legal entities (except for banks) having the following ratings:

Moody's Investors Service – long-term rating from Baa1 to Baa3;

Fitch – long-term rating from BBB+ to BBB–;

Standard & Poor's – long-term rating from BBB+ to BBB–;

2.36¹. Group D legal entities – legal entities (except for banks) having the following ratings:

Moody's Investors Service – long-term rating from Ba1 to Ba3;

Fitch – long-term rating from BB+ to BB–;

Standard & Poor's – long-term rating from BB+ to BB–;

legal entities having no rating (except for legal entities being the residents of countries of Group E);

2.37. Group E legal entities – legal entities (except for banks) having the following ratings:

Moody's Investors Service – long-term rating below Ba3;

Fitch – long-term rating below BB–;

Standard & Poor's – long-term rating below BB–;

legal entities having no rating and being the residents of countries of Group E.

Classification by groups in accordance with Subclauses 2.25–2.37 of this Clause shall not be applied to the Republic of Belarus and residents of the Republic of Belarus;

2.38. the terms *residents*, *non-residents* shall have a meaning defined by the Law of the Republic of Belarus dated 22 July, 2003, No.226-Z *On Currency Regulation and Currency Control*;

2.39. the terms *interrelated debtors, insider* shall have meanings as defined by Article 115 of the Banking Code of the Republic of Belarus;

2.40. withdrawn;

2.41. the terms *credit risk, market risk, trade portfolio interest risk, stock market risk, exchange risk, commodity risk, bank portfolio interest risk, liquidity risk, operational risk* shall have a meaning defined by the Instruction on Arrangement of a Risk Management System in banks, '*Development Bank of the Republic of Belarus*' Joint-Stock Company, non-bank credit and financial institutions, banking groups and banking holdings, approved by Resolution of the Board of the National Bank of the Republic of Belarus dated 29 October, 2012, No.550;

2.42. the term *management body* shall have a meaning defined by the Law of the Republic of Belarus dated 9 December, 1992, No.2020-XII *On Economic Entities*, Article 33;

2.43. commodity – any property intended for sale except for the foreign currency, precious metals in bank bullion bars, and precious metals in weighted bullion bars and coins reevaluated in accordance with the established accounting policy of a bank, the *Development Bank JSC* or a non-bank credit and financial institution as far as accounting prices are varied (hereinafter referred to as reevaluated weighted bullion bars, reevaluated coins), other financial instruments;

2.44. contingent liabilities – liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution booked on off-balance accounts prone to the credit risk, including the liabilities to provide money, liabilities to make payments in guarantee liabilities and other liabilities except for liabilities with regard to the transactions (currency transactions, transactions with securities etc.);

2.44¹. irrevocable liabilities – contingent liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution such that a bank, the *Development Bank JSC* or a non-bank credit and financial institution, in accordance with the contract provisions, may not refuse to fulfill these liabilities;

2.44². conditionally revocable liabilities – contingent liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution such that a bank, the *Development Bank JSC* or a non-bank credit and financial institution may refuse to fulfill these liabilities in cases stipulated by the contract provisions;

2.44³. unconditionally revocable liabilities – contingent liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution such that a bank, the *Development Bank JSC* or a non-bank credit and financial institution may refuse to fulfill these liabilities at any time without a previous notification in accordance with the contract provisions;

2.44⁴. lending line – the liability of a bank, the *Development Bank JSC* or a non-bank credit and financial institution to provide money for the purpose of support of implementation of client's (counteragent's) operations under normal conditions of activity;

2.44⁵. liquidity line – liability of a bank, the *Development Bank JSC* or a non-bank credit and financial institution to provide money for the purpose of support of client's (counteragent's) liquidity under stress conditions if a client (counteragent) is unable to fulfill its liabilities towards creditors and has no access (or limited access) to the funding on the open market;

2.45. primary type of activity – activity defined as the primary one for the purposes of preparation of the official statistical information by the state statistics authorities in accordance with the National Classifier of the Republic of Belarus, OKRB 005-2011, *Types of Economic Activities*, approved by the Resolution of the State Committee for Standardization of the Republic of Belarus dated 5 December, 2011, No.85 (hereinafter referred to as OKED). For non-residents, the primary activity is the activity defined as primary one in accordance with the legislation of the country where they were established;

2.46. financial activity – activity considered as financial and insurance activity in accordance with OKED, except for banking activity, services in postal money order sending and payments, services of postal systems in payments for public utilities and other services, and suretyship for third persons involving fulfillment of liabilities in monetary form, issuing of

guarantees, property trust, keeping as one of purposes of professional activity (professional keeper);

2.47. the terms *small entrepreneurship entities* and *medium entrepreneurship entities* shall have a meaning defined by the Law of the Republic of Belarus dated 1 July, 2010, No.148-Z *On Support of Small and Medium Entrepreneurship*;

2.48. conservation buffer is a Common Equity Tier 1 Capital and regulatory capital adequacy ratios buffer of a bank, *Development Bank JSC*, a non-bank credit and financial institution fixed to cover losses by a bank, *Development Bank JSC* or a non-bank credit and financial institution under stress conditions;

2.49. non-bank financial institutions – organizations carrying out the financial activity;

2.50. participation in the statutory fund – long-term financial investments implemented as contributions into the statutory funds of legal entities, property rights and other rights to thing towards a portion in the statutory fund (shares), property of legal entities for the purpose of taking part in managing these legal entities and (or) acquisition of profit;

2.51. mutual participation in the statutory fund – participation of banks, the *Development Bank JSC*, non-bank credit and financial institutions, non-bank financial institutions in statutory funds of each other;

2.52. the terms *deferred tax asset*, *deferred tax liability* shall have a meaning defined by the National Financial Reporting Standard 12 *Income Taxes* (NFRS 12) approved by Resolution of the Board of the National Bank of the Republic of Belarus dated 25 June, 2013, No.392;

2.53. the term *derivative securities* shall have a meaning defined by the Law of the Republic of Belarus dated 5 January, 2015, No.231-Z *On the Market of Securities*;

2.54. the terms *time irrevocable time bank deposition (deposit)*, *irrevocable conditional bank deposition (deposit)*, *revocable time bank deposition (deposit)*, *revocable conditional bank deposition (deposit)* shall have a meaning defined by Article 182 of the Banking Code of the Republic of Belarus;

2.55. countercyclical buffer is a Common Equity Tier 1 Capital adequacy ratio buffer of a bank, *Development Bank JSC* fixed to limit (reduce) risks accepted in the period of the loan overgrowth and maintaining the level of lending and risks cover after the end of that period;

2.56. systemic importance buffer is a Common Equity Tier 1 Capital adequacy ratio buffer of a bank, a non-bank credit and financial institution fixed to limit (reduce) an adverse effect on the soundness of the banking system resulted from the deterioration in the financial position of a bank, a non-bank credit and financial institution qualified as systemically important.

2.57. unencumbered assets are the assets, which are not ranked as encumbered;

2.58. the term *debt restructuring* shall have a meaning defined by the Instruction on the Procedure for Building Up and Use of Special Reserves for Covering Probable Losses on Assets and Transactions Not Reported on the Balance Sheet by the Banks, *Development Bank of the Republic of Belarus JSC* and Non-Bank Credit and Financial Institutions approved by Resolution of the Board of the National Bank of the Republic of Belarus dated 28 September, 2006, No.138.

CHAPTER 2

SAFE OPERATION NORMS

3. The following safe operation norms shall be set for the banks:

minimal normative capital amount;

normative capital sufficiency norms;

leverage norm;

liquidity norms;

risk concentration limitation norms;

norms of participation in statutory funds of other commercial organizations;

exchange risk limitation norms.

3¹. The following safe operation norms shall be set for the *Development Bank JSC*:

normative capital sufficiency norms;

leverage norm;
liquidity norms;
risk concentration limitation norms;
exchange risk limitation norms.

4. The following safe operation norms shall be set for all non-bank credit and financial institutions:

minimal normative capital amount;
leverage norm;
norms of participation in statutory funds of other commercial organizations;
exchange risk limitation norms.

For non-bank credit and financial institutions having a right to carry out the banking transactions for placement of raised money on their own behalf and at their own expense subject to the conditions of refundability, serviceability and maturity, the following safe operation norms shall be set:

liquidity norms;
normative capital sufficiency norms;
risk concentration limitation norms.

5. Withdrawn.

6. The norms of minimal normative capital amount, normative capital sufficiency, leverage, participation in statutory funds of other commercial organizations must meet the specified value for the first day of a month.

Other safe operation norms for a bank, the *Development Bank JSC* or a non-bank credit and financial institution must meet the specified value daily.

7. Indexes depicting the compliance with safe operation norms for a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall be calculated in accordance with the conservatism principle.

7¹. For calculation of indices depicting the compliance with safe operation norms, special reserves for cover of possible losses in assets and transactions not booked in the balance sheet shall be taken into consideration; these reserves are formed in accordance with the procedure set by the Instruction on the Procedure for Formation and Usage by Banks, '*Development Bank of the Republic of Belarus*' Joint-Stock Company and Non-bank Credit and Financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet (hereinafter referred to as special reserves for cover of possible losses). Incompletely formed special reserves for cover of possible losses in assets and transactions not booked in the balance sheet shall be included in calculation of a normative capital within the amount of balance of deviations for all risk groups.

8. If several interrelated liabilities booked in off-balance accounts (hereinafter referred to as off-balance sheet liabilities) exist, and these liabilities shall be terminated by the single payment, one of off-balance sheet liabilities shall be included in calculation of indices depicting the compliance with safe operation norms (except for exchange risk limitation norms). If a balance sheet liability and an off-balance sheet liability interrelated with each other exist, and these liabilities shall be terminated by the single payment, a balance sheet liability shall be included in calculation of safe operation norms (except for exchange risk limitation norms, liquidity norms).

9. For the purposes of financial reliability maintenance of a bank, the *Development Bank JSC* or a non-bank credit and financial institution, the managing bodies of a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall set the procedure for detection and measurement (assessment) of risks in order to ensure reliable calculation of indices depicting the compliance with safe operation norms in accordance with the legislation.

SECTION II
CALCULATION OF NORMATIVE CAPITAL AND ASSETS FOR ASSESSMENT OF
COMPLIANCE WITH SAFE OPERATION NORMS

CHAPTER 3
NORMATIVE CAPITAL CALCULATION

10. The normative capital is intended to cover losses of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in their normal activity and under stress conditions. The normative capital shall be calculated as the sum of the Level I capital and the Level II capital.

11. The Level I capital is intended to maintain normal operation of a bank, the *Development Bank JSC* or a non-bank credit and financial institution and to cover losses at the time when they arise. The Level I capital shall be calculated as the sum of the Level I principal capital and the Level I supplementary capital.

The following shall be included in calculation of the Level I principal capital:

registered statutory fund (as for the issued ordinary shares (equities));

share premium for ordinary shares (equities);

funds raised from the profit of previous years except for the dividend fund, confirmed by an auditing organization (or an auditor carrying out an activity as an individual entrepreneur) (hereinafter referred to as an individual entrepreneur auditor);

profit of previous years confirmed by an auditing organization (individual entrepreneur auditor).

The Level I principal capital shall be reduced by the amount of:

losses of previous years;

overdue incomes and incomes accrued but not received, for previous years;

intangible assets (less accrued depreciation);

deferred tax assets allocated to the funds and (or) profit accepted for calculation of the Level I principal capital (less the deferred tax liabilities allocated similarly, subject to the condition that these assets and liabilities are related to the profit tax collected by the same tax authority);

own ordinary shares (equities) issued by a bank, the *Development Bank JSC* or a non-bank credit and financial institution and pledged to it;

bought-out own ordinary shares (equities) issued by a bank, the *Development Bank JSC* or a non-bank credit and financial institution;

mutual participation in statutory funds in the form of ordinary shares (equities);

participation in statutory funds of banks, non-bank credit and financial institutions, non-bank financial institutions in the form of ordinary shares (equities), portions not exceeding 10 per cent of the issuer's statutory fund, if the aggregate amount of such participation exceeds 10 per cent of the statutory fund of a bank, the *Development Bank JSC* or a non-bank credit and financial institution with regard to the issued ordinary shares (equities), included in calculation of the Level I principal capital, less appropriate amounts that were deducted earlier in accordance with the eighth paragraph of this Part;

participation in statutory funds of banks, non-bank credit and financial institutions, non-bank financial institutions in the form of purchasing a unitary enterprise as a property complex, ordinary shares (equities), portions exceeding 10 per cent of the issuer's statutory fund less appropriate amounts that were deducted earlier in accordance with the eighth paragraph of this Part;

participation in statutory funds of legal entities in the form of ordinary shares (equities) or portions acquired in accordance with the Edict of the President of the Republic of Belarus dated May 24, 2018, No.200, On Restructuring of Debt and Termination of Obligations, less

appropriate amounts that were deducted earlier in accordance with the eighth paragraph of this Part.

The following shall be included in calculation of the Level I supplementary capital:
registered statutory fund (as for the issued preferred shares);
share premium for preferred shares.

Level I supplementary capital shall be reduced by the amount of:

own preferred shares issued by a bank, the *Development Bank JSC* or a non-bank credit and financial institution and pledged to it;

bought-out own preferred shares issued by a bank, the *Development Bank JSC* or a non-bank credit and financial institution and pledged to it;

mutual participation in statutory funds in the form of preferred shares;

participation in statutory funds of banks, non-bank credit and financial institutions, non-bank financial institutions in the form of preferred shares not exceeding 10 per cent of the issuer's statutory fund, if the aggregate amount of such participation exceeds 10 per cent of the statutory fund of a bank, the *Development Bank JSC* or a non-bank credit and financial institution with regard to the issued ordinary shares (equities), included in calculation of the Level I principal capital, less appropriate amounts that were deducted earlier in accordance with the fourth paragraph of this Part;

participation in statutory funds of banks, non-bank credit and financial institutions, non-bank financial institutions in the form of preferred shares exceeding 10 per cent of the issuer's statutory fund less appropriate amounts that were deducted earlier in accordance with the fourth paragraph of this Part;

participation in statutory funds of legal entities in the form of preferred shares acquired in accordance with the Edict of the President of the Republic of Belarus dated May 24, 2018, No.200, less appropriate amounts that were deducted earlier in accordance with the fourth paragraph of this Part.

Increase of the statutory fund of a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall be included in calculation of the Level I principal capital and Level I supplementary capital after registration of appropriate amendments and (or) additions made in the constituent documents of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in accordance with the procedure set by the legislation.

The amount of the mutual participation in statutory funds, deducted from the calculation of the Level I principal capital and the Level I supplementary capital, shall be defined as the minimum of two amounts (the amount of participation of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in the statutory fund of another bank, non-bank credit and financial institution or non-banking financial institution and the amount of participation of another bank, non-bank credit and financial institution or non-bank financial institution in the statutory fund of a bank, the *Development Bank JSC* or a non-bank credit and financial institution) in accordance with the accounting data of a bank or a non-bank credit and financial institution. For these purposes, the surplus of the amount of participation of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in the statutory fund of another bank, non-bank credit and financial institution or non-bank financial institution over the amount of participation of another bank, non-bank credit and financial institution or non-bank financial institution in the statutory fund of a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall be included in calculation of participation of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in statutory funds of banks, non-bank credit and financial institutions or non-bank financial institutions deducted respectively from calculations of the Level I principal capital and the Level I supplementary capital.

The amount of participation in statutory funds of legal entities in the form of shares or portions acquired in accordance with the Edict of the President of the Republic of Belarus dated May 24, 2018, No.200, shall be included into the amounts of reduction of the Level I capital

upon the expiry of 4 years from the date of initial acquisition of these shares or portions in accordance with the procedure as follows:

in the 5th year from the date of initial acquisition of these shares or portions: 50 per cent of the value of these shares or portions;

in 6th and subsequent years from the date of initial acquisition of these shares or portions: fully.

12. The Level II capital is intended to cover losses in case of termination of activity of a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

The following shall be included in calculation of the Level II capital:

raised subordinated credit (loan);

funds raised from the profit of previous years not confirmed by an auditing organization (individual entrepreneur auditor), except for the dividend fund;

funds raised from the profit of the current year, except for the dividend fund;

profit of previous years not confirmed by an auditing organization (individual entrepreneur auditor);

profit of the current year, taking its usage into consideration;

fund for revaluation, to be carried out in accordance with the legislation, of fixed assets, construction-in-progress facilities and the equipment subject to installation;

intangible assets revaluation fund;

fund for revaluation of securities (except for *Property* personal privatization cheques issued for a specified person) available for sale, hedging instruments and other balance sheet items;

general reserves for cover of possible losses.

The raised subordinated credit (loan) shall be included in calculation of the Level II capital, subject to the positive conclusion of the National Bank with regard to the feasibility of such inclusion obtained in accordance with the procedure provided for in Clause 17 of this Instruction, with the amount not exceeding 50 per cent of the amount of the Level I principal capital:

during the period longer than 5 years before the expiration of the credit (loan) full repayment period: the full amount;

during 5 years preceding the expiration of the credit (loan) full repayment period: the residual value.

The residual value of the raised subordinated credit (loan) shall be calculated as the remaining number of full months before the end of full repayment period divided by 60 and multiplied by the full amount of the subordinated credit (loan).

Profit of previous years and funds raised from it shall not be included in calculation of the Level II capital if there is no auditor's confirmation after 1 July of the next year.

Positive amounts of revaluation funds shall be included in calculation in full, negative amounts shall be deducted in full.

For the purposes of this Instruction, general reserves for cover of possible losses shall mean reserves arranged by a bank, the *Development Bank JSC* or a non-bank credit and financial institution, in accordance with the procedure set by it, from the costs not included into the expenses taken into consideration for the profit taxation. These reserves shall not be related to the specific assets or contingent liabilities and shall be arranged to be used under unforeseen (unexpected) losses that are not subject to identification at the time when the general reserves are formed but can arise in the future.

General reserves for cover of possible losses shall be included in calculation of the Level II supplementary capital and shall not exceed 1.25 per cent of the amount of assets assessed in terms of the credit risk level.

The Level II capital shall be reduced by the amount of:

losses of the current year;

overdue incomes and incomes accrued but not received within more than 30 days after the date when they were accrued, for the current year;

deferred tax assets allocated to the funds and (or) profit accepted for calculation of the Level II capital (less the deferred tax liabilities allocated similarly, subject to the condition that these assets and liabilities are related to the profit tax collected by the same tax authority);

incompletely formed special reserves for cover of possible losses;

subordinated credits (loans) provided;

loans given;

property transferred for trust;

calculated surplus of the aggregate amount of risks for insiders and interrelated persons over the maximum amount specified by this Instruction.

Subordinated credits (loans) given to banks, the *Development Bank JSC* or resident non-bank credit and financial institutions shall be excluded from calculation of the amount of deductions from the Level II capital as for these deductions are taken into consideration within the sources of the Level II capital, according to information collected in accordance with Clause 17 of this Instruction.

13. The amounts deducted from the Level I principal capital, Level I supplementary capital and Level II capital shall be reduced by the appropriate amounts of special reserves for cover of possible losses and other reserves for possible damages formed from the aforementioned amounts in accordance with the legislation and (or) the procedure set by a bank, the *Development Bank JSC* or a non-bank credit and financial institution by their own decisions.

If the amount of deductions from the Level II exceeds its amount, the remaining part of deductions is made from the Level I supplementary capital. If the amount of deductions from the Level I supplementary capital exceeds its amount, the remaining part of deductions is made from the Level I principal capital. In the latter case, the amount of the Level I principal capital not reduced by the remaining part of deductions shall be used to calculate the amount of the long-term subordinated credit (loan) included in calculation of the Level II capital.

14. For the purposes of this Instruction, the subordinated credit (loan) shall mean a credit (loan) raised by a bank, the *Development Bank JSC* or a non-bank credit and financial institution, subject to the following conditions:

14.1. credit (loan) must be given by a legal entity as a lumpsum; and

14.2. the credit (loan) contract shall not contain provisions for targeted use; and

14.3. the subordinated credit (loan) must not be arranged as a bonded loan; and

14.4. the credit (loan) full repayment period, calculated with no regard for the credit (loan) contract provisions making possible the tacit deferral of the credit (loan) payments, shall be 5 years or longer, starting from the date of delivery of money to the loan recipient (the borrower), i.e. to a bank, the *Development Bank JSC* or a non-bank credit and financial institution, in accordance with the credit (loan) contract; and

14.5. fulfillment of liabilities of a borrower (a loan recipient) under the credit (loan) contract must not be secured by the guarantee money deposit, by the transfer of title to the property including the title to the property rights towards the credit provider (the lender), by the immovable and (or) movable property pledge, by the guarantee, suretyship and (or) by other methods for securing the fulfillment of liabilities; and

14.6. the credit (loan) shall be given

by the legal entity not being the resident of the Republic of Belarus: in Belarusian Rubles, Russian Rubles and (or) in foreign freely convertible currency (hereinafter referred to as freely convertible currency);

by the legal entity being the resident of the Republic of Belarus: in Belarusian Rubles; and

14.7. the credit (loan) or its part cannot be repaid earlier than at the full repayment date specified in the credit (loan) contract. Early termination of credit (loan) repayment liabilities, including partial termination, is possible if the amount of the credit (loan) or its part is contributed to the statutory fund of the credit recipient (the borrower) – a bank, the *Development Bank JSC* or a non-bank credit and financial institution; and

14.8. the interest rate specified in the credit (loan) contract, including the amounts, as applied in accordance with the credit (loan) contract provisions, of raised annual interest rate used as a result of debtor's failure to fulfill its obligations or fulfillment of these obligations not in due time, of different interest rates depending on the credit arrangement procedure (in cash or cashless) and (or) interest accrual period and (or) other conditions specified in the credit (loan) contract, shall not exceed, as of the date of the credit (loan) arrangement:

for a credit (loan) given in Belarusian Rubles: the discount rate set by the National Bank;

for a credit (loan) given in freely convertible currency: the LIBOR rate for 12-month interbank deposits in appropriate foreign currency plus 4 per cent per annum;

for a credit (loan) given in Russian Rubles: the key rate set by the Central Bank of the Russian Federation (the Bank of Russia).

The interest rate, if changed after the credit (loan) arrangement, must not exceed the rate specified earlier in the credit (loan) contract and the rates as follows:

for a credit (loan) given in Belarusian Rubles: the discount rate set by the National Bank as of the date when the interest rate is changed;

for a credit (loan) given in freely convertible currency: the LIBOR rate for 12-month interbank deposits in appropriate foreign currency as of the date when the interest rate is changed plus 4 per cent per annum;

for a credit (loan) given in Russian Rubles: the key rate set by the Central Bank of the Russian Federation (the Bank of Russia) as of the date when the interest rate is changed; and

14.9. the credit (loan) contract must not contain provisions for capitalization of interests; and

14.10. credit (loan) interests must not be paid before their payment due date and must not be accrued or paid in each appropriate accrual or payment period if, at the beginning of this period, the loss arises for a bank, the *Development Bank JSC* or a non-bank credit and financial institution as a cumulative sum from the beginning of the year;

14.11. the principal debt shall be repaid as a lumpsum at the credit (loan) full repayment due date. Other payments made by a loan recipient (a borrower) in accordance with the credit (loan) contract before the credit (loan) full repayment due date shall be related only to the payment of interests to the creditor, with the amount stipulated by the provisions of the credit (loan) contract. Other contracts must not provide for any payments to be made by a loan recipient (a borrower) to a creditor with regard to the credit (loan) arranged; and

14.12. if a loan recipient (a borrower) – a bank, the *Development Bank JSC* or a non-bank credit and financial institution – is closed down, creditor's claims with regard to the given credit (loan) shall not be satisfied before full satisfaction of requirements of other creditors; and

14.13. the credit (loan) must not be given by money depositing on the account opened at the entity acting as a creditor by a loan recipient (a borrower) – a bank, the *Development Bank JSC* or a non-bank credit and financial institution; and

14.14. the credit (loan) contract must provide for the creditor's obligation to seek the loan recipient's (borrower's) prior consent for transactions affecting in any way the fulfillment of rights and duties of the parties in this credit (loan) contract, including contracts for the cession of a right of claim with regard to this credit (loan) contract, contracts containing the provisions that make it possible to consider the liabilities in these contracts as the liabilities interrelated with the claims with regard to this credit (loan) contract in accordance with Clause 2, Subclause 2.21 of this Instruction, other contracts hedging the creditor's risks with regard to this credit (loan) contract; and

14.15. the credit (loan) contract, the supplementary agreement for it and other agreements between the parties with regard to the procedure of implementation or termination of the aforementioned contracts cannot contain provisions (both initially or as a result of additions and (or) amendments) not meeting the mandatory provisions defined in Subclauses 14.1–14.14 of this Clause.

15. Withdrawn.

16. Withdrawn.

17. To obtain a conclusion of the National Bank for acceptance of the subordinated credit (loan) in calculation of the Level II capital, the copy (or the draft) of the credit (loan) contract and amendments or additions to it, certified by a bank, the *Development Bank JSC* or a non-bank credit and financial institution, must be submitted to the National Bank, as well as other documents that can contain information making it possible to decide whether the credit (loan) shall or shall not be recognized as a subordinated credit (loan), such as information about the transactions made by the parties of the credit (loan) contract affecting in any way the fulfillment of rights and duties of the parties in this credit (loan) contract.

The National Bank shall, within two weeks after submission of the aforementioned documents, issue the conclusion prepared by the Chief Directorate for Banking Supervision jointly with the interested subdivisions of the National Bank to specify whether the contract (the draft contract) and related amendments and additions meet the requirements of the legislation and whether this credit (loan) can cover losses of a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

If the National Bank's conclusion is positive, the subordinated credit (loan) shall be included in calculation of the Level II capital since the date when the conclusion is obtained but not earlier than the date when money is delivered in accordance with the appropriate credit (loan) contract to the loan recipient (borrower) – a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

The positive conclusion of the National Bank with regard to the inclusion of the subordinated credit (loan) in calculation of the Level II capital shall become null and void three months after the date when it is received by a bank, the *Development Bank JSC* or a non-bank credit and financial institution if, within this period, money is not delivered in accordance with the appropriate credit (loan) contract to the loan recipient (the borrower) – a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

The subordinated credit (loan) shall not be considered as the subordinated one and shall not be included in calculation of the Level II capital if, according to the National Bank' conclusion:

the content of the credit (loan) contract or amendments and additions to it does not meet any of the requirements listed in Clause 14 of this Instruction;

the content of the credit (loan) contract or amendments and additions to it does not meet other requirements of the legislation;

other reasons exist making it impossible to recognize the credit (loan) as capable to cover the losses of a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

If the conditions for giving the subordinated credit (loan) are changed resulting in failure to meet the mandatory conditions defined in Subclauses 14.1–14.14 of Clause 14 of this Instruction, and (or) if other reasons arise for non-reconition of the credit (loan) as capable to cover the losses of a bank, the *Development Bank JSC* or a non-bank credit and financial institution, this subordinated credit (loan) shall not be considered as the source for the Level II capital since the date when it was included in calculation of the normative capital. In such a case, the amounts of safe operation norms shall be recalculated by a bank, the *Development Bank JSC* or a non-bank credit and financial institution for the full period when this subordinated credit (loan) was included in calculation of the normative capital. However, the requirements for recalculation of amounts of safe operation norms listed in this part shall not be applied if the amounts raised as a subordinated credit (loan) are allocated by the creditor to increase the statutory fund of the loan recipient (the borrower) – a bank, the *Development Bank JSC* or a non-bank credit and financial institution – before the due date of return (repayment) of such a credit (loan), and there are no reasons making it impossible to recognize these amounts as capable to cover the losses of a bank, the *Development Bank JSC* or a non-bank credit and financial institution including the reasons listed in Clause 18 of this Instruction.

If a creditor allocates the subordinated credit (loan) to increase the statutory fund of a bank, the *Development Bank JSC* or a non-bank credit and financial institution, the subordinated credit

(loan) shall be included in calculation of Level II capital until the date of making the decision to accept the state registration of amendments and (or) additions made in the Charter of a bank, the *Development Bank JSC* or a non-bank credit and financial institution due to its statutory fund growth or to refuse to register these amendments and (or) additions.

If the subordinated credit (loan) is given by a bank, a resident non-bank credit and financial institution of the *Development Bank JSC*, then a loan recipient (a borrower) – a bank, the *Development Bank JSC* or a non-bank credit and financial institution – must inform monthly the National Bank and the credit provider (the lender) about the amount of a subordinated credit (loan) that the loan recipient (the borrower) has included into the sources of the Level II capital.

17¹. Withdrawn.

18. The statutory fund (or its part) and other sources of the Level I principal capital, Level I supplementary capital and Level II capital (funds, the subordinated credit (loan) or part thereof) shall not be included in calculation of the normative capital if the investors (shareholders, participants and other persons taking part in formation of sources of a normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution) have used for its formation the money and (or) other property (hereinafter referred to as the property) for which, directly or indirectly (through third parties), the source is the property provided by a bank, the *Development Bank JSC* or a non-bank credit and financial institution itself and (or) the property provided by another persons in the case when a bank, the *Development Bank JSC* or a non-bank credit and financial institution, directly or indirectly (through third parties), undertook the risk of incurring losses that arose in connection with the provision of the aforementioned property by a bank, the *Development Bank JSC* or a non-bank credit and financial institution, including the cases of such undertaking by direct or indirect (through third parties) return (transfer, provision) of such property to the investor or by placement of money at its accounts and (or) in deposits (or, at its instruction or order, at accounts and (or) in deposits of third parties).

19. The normative capital calculation procedure set by Clauses 18-18 of this Instruction shall be applied for calculation of indexes depicting the compliance with safe operation norms. For this purpose, the normative capital amount as for the last reporting date shall be used.

CHAPTER 4 CALCULATION OF AN AMOUNT OF ASSETS AND OFF-BALANCE LIABILITIES PRONE TO CREDIT RISKS

20. Depending on the degree of credit risk, assets are subdivided into the following twelve groups, with the following degrees of risk set for them:

20.1. Group I (the degree of risk 0 per cent):

cash money, precious metals and precious stones (except for those listed in the fourteenth paragraph of Subclause 20.2 in this Clause);

funds in the National Bank;

amounts on the account of the Mandatory Reserves Fund in the National Bank;

securities of the Government of the Republic of Belarus (hereinafter referred to as the Government), of the National Bank, bonds of the *Development Bank JSC*, denominated in Belarusian Rubles;

funds in central (national) banks of Group A countries, international financial institutions and development banks;

securities of governments, central (national) banks of Group A countries, international financial institutions and development banks;

credit indebtedness of republican governmental administration agencies in Belarusian Rubles;

credit indebtedness, interbank credits, deposits in other banks in Belarusian Rubles secured by guarantees of the Government, of the National Bank, by pledge of securities of the Government, of the National Bank, of bonds of the *Development Bank JSC*, denominated in Belarusian Rubles, or by other means for securing of obligations using these securities;

credit indebtedness, interbank credits and deposits in other banks secured by guarantees or suretyships of governments, central (national) banks of Group A countries, international financial institutions and development banks; by guarantee money deposits in Belarusian Rubles (for credit indebtedness, interbank credits, deposits in other banks in Belarusian Rubles), in limited-convertibility foreign currency (hereinafter referred to as limited-convertibility foreign currency) (if the guarantee deposit currency is the same as the debt currency) or in freely convertible currency; pledge of securities of governments, central (national) banks of Group A countries, international financial institutions and development banks, or by other means for securing of obligations using these securities;

money transferred under repo transactions where the securities qualified for this group are obtained as a collateral;

bonds of banks of the Republic of Belarus denominated in Belarusian Rubles, secured by pledge of securities of the Government (except for *Property* personal privatization cheques) or of the National Bank or of bonds of the *Development Bank JSC* denominated in Belarusian Rubles;

20.1¹. Group II (the degree of risk 10 per cent)

securities of the Government or the National Bank denominated in foreign currency;

money transferred under repo transactions where the securities qualified for this group are obtained as a collateral;

20.2. Group III (the degree of risk 20 per cent):

bonds of the *Development Bank JSC* denominated in foreign currency;

securities of governments, central (national) banks of Group B countries, Group A international development banks, Group A banks, local governance and self-governance agencies in Group A countries, Group A legal entities;

payment instruments of Group A banks, Group A legal entities;

funds in central (national) banks of Group B countries, Group A international development banks, Group A banks;

credit indebtedness of republican governmental administration agencies in foreign currency;

credit indebtedness of local governance and self-governance agencies in Group A countries, Group A legal entities;

credit indebtedness, interbank credits, deposits in other banks in foreign currency secured by guarantees of the Government or of the National Bank; credit indebtedness, interbank credits, deposits in other banks in Belarusian Rubles or in foreign currency secured by pledge of securities of the Government or of the National Bank, or of bonds of the *Development Bank JSC* denominated in foreign currency, or by other means for securing of obligations using these securities; credit indebtedness, interbank credits, deposits in other banks in foreign currency secured by pledge of securities of the Government or of the National Bank, or of bonds of the *Development Bank JSC*, denominated in Belarusian Rubles, or by other means for securing of obligations using these securities, or by guarantee money deposits in Belarusian Rubles;

credit indebtedness, interbank credits, deposits in other banks secured by pledge of securities of governments, central (national) banks of Group B countries, Group A international development banks, Group A banks, local governance and self-governance agencies in Group A countries, Group A legal entities, or by other means for securing of obligations using these securities;

credit indebtedness, interbank credits, deposits in other banks secured by guarantees or suretyships of governments, central (national) banks of Group B countries, Group A international development banks, Group A banks, local governance and self-governance agencies in Group A countries, Group A legal entities;

credit indebtedness, secured by pledge of precious metals;

money transferred under repo transactions where the securities qualified for this group are obtained as a collateral;

credit indebtedness, interbank credits and deposits insured against the risk of failure to return (failure to repay) and (or) overdue return (overdue repayment) of a debt in an insurance organization being the Group A legal entity;

money, precious metals and precious stones in transit;

20.2¹. Group IV (the degree of risk 30 per cent):

securities of Group B international development banks, Group B banks;

payment instruments of Group B banks;

funds in Group B international development banks, Group B banks;

credit indebtedness, interbank credits, deposits in other banks secured by pledge of securities of Group B international development banks, Group B banks;

credit indebtedness, interbank credits, deposits in other banks secured by guarantees or suretyships of Group B international development banks, Group B banks;

money transferred under repo transactions where the securities qualified for this group are obtained as a collateral;

20.3. Group V (the degree of risk 35 per cent) – credit indebtedness denominated in Belarusian Rubles resulting from rendering of credits to natural persons for construction (purchasing) of housing premises fully secured by pledge of housing premises belonging to these natural persons on the basis of the right of ownership or by pledge of property rights of these natural persons with regard to housing premises being under construction (or to be purchased);

20.4. Group VI (the degree of risk 50 per cent):

securities of governments, central (national) banks of Group C countries, Group C international development banks, Group C banks, banks and non-bank credit and financial institutions of the Republic of Belarus, the *Development Bank JSC* (except for securities listed in fifth and twelfth paragraphs of Subclause 20.1 in Subclause 20.1¹ and in the second paragraph of Subclause 20.2 in this Clause), local governance and self-governance agencies in Group B countries, local executive and administrative agencies of the Republic of Belarus, Group B legal entities;

payment instruments of Group C banks or Group B legal entities;

funds in central (national) banks of Group C countries, Group C international development banks, Group C banks, banks and non-bank credit and financial institutions of the Republic of Belarus, the *Development Bank JSC*;

credit indebtedness of local governance and self-governance agencies in Group B countries, local executive and administrative agencies of the Republic of Belarus, Group B legal entities;

credit indebtedness of entities of small and medium entrepreneurship denominated in Belarusian Rubles and meeting the conditions specified in Clause 22 of this Instruction;

credit indebtedness, interbank credits, deposits in other banks secured by pledge of securities of governments, of central (national) banks of Group C countries, Group C international development banks, Group C banks, banks and non-bank credit and financial institutions of the Republic of Belarus, the *Development Bank JSC* (except for securities listed in the fifth paragraph of Subclause 20.1, second paragraph of Subclause 20.1¹ and the second paragraph of Subclause 20.2 in this Clause), Group B legal entities, local governance and self-governance agencies in Group B countries, local executive and administrative agencies of the Republic of Belarus, or by other means for securing of obligations using these securities;

credit indebtedness, interbank credits, deposits in other banks secured by guarantees or suretyships of governments, central (national) banks of Group C countries, Group C banks, banks, non-bank credit and financial institutions of the Republic of Belarus, the *Development Bank JSC*, Group B legal entities; local governance and self-governance agencies in Group B countries, local executive and administrative agencies of the Republic of Belarus;

money transferred under repo transactions where the securities qualified for this group are obtained as a collateral;

credit indebtedness, interbank credits, deposits in other banks insured against the risk of failure to return (failure to repay) and (or) overdue return (overdue repayment) of a debt in an insurance organization being the Group B legal entity;

20.5. Group VII (the degree of risk 75 per cent):

assets (claims) denominated in Belarusian Rubles and included into the retail portfolio except for credit indebtedness of individual entrepreneurs qualified for the Group VI in accordance with the sixth paragraph of Subclause 20.4 in this Clause;

credit indebtedness of entities of small and medium entrepreneurship denominated in foreign currency and meeting the conditions specified in Clause 22 of this Instruction;

securities of Group C legal entities;

payment instruments of Group C legal entities;

credit indebtedness of Group C legal entities;

credit indebtedness, interbank credits, deposits in other banks secured by pledge of securities of Group C legal entities;

credit indebtedness, interbank credits, deposits in other banks secured by guarantees or suretyships of Group C legal entities;

money transferred under repo transactions where the securities qualified for this group are obtained as a collateral;

credit indebtedness, interbank credits, deposits in other banks insured against the risk of failure to return (failure to repay) and (or) overdue return (overdue repayment) of a debt in an insurance organization being the Group C legal entity;

20.6. Group VIII (the degree of risk 100 per cent):

securities of governments, central (national) banks of Group D countries, Group D international development banks, Group D banks, local governance and self-governance agencies in Group C countries, local governance and self-governance agencies in Group D countries, Group D legal entities;

securities of legal entities of the Republic of Belarus;

payment instruments of Group D banks or Group D legal entities;

payment instruments of legal entities of the Republic of Belarus;

funds in central (national) banks of Group D countries, Group D international development banks, Group D banks;

credit indebtedness of local governance and self-governance agencies in Group C countries, local governance and self-governance agencies in Group D countries, Group C legal entities;

credit indebtedness of legal entities of the Republic of Belarus, except for credit indebtedness qualified for Groups I–VII in accordance with Subclauses 20.1–20.5 in this Clause;

credit indebtedness of legal entities being non-residents of the Republic of Belarus, interbank credits, deposits in other banks secured by pledge of securities of governments, central (national) banks of Group D countries, Group D international development banks, Group D banks, local governance and self-governance agencies in Group C countries, local governance and self-governance agencies in Group D countries, Group D legal entities, legal entities of the Republic of Belarus, or by other means for securing of obligations using these securities;

credit indebtedness of legal entities being non-residents of the Republic of Belarus, interbank credits, deposits in other banks secured by guarantees or suretyships of governments, central (national) banks of Group D countries, Group D international development banks, Group D banks, local governance and self-governance agencies in Group C countries, local governance and self-governance agencies in Group D countries, Group D legal entities, legal entities of the Republic of Belarus;

money transferred under repo transactions where the securities qualified for this group are obtained as a collateral;

credit indebtedness of legal entities being non-residents of the Republic of Belarus, interbank credits, deposits in other banks insured against the risk of failure to return (failure to

repay) and (or) overdue return (overdue repayment) of a debt in an insurance organization being the Group D legal entity or an insurance organization being the legal entity of the Republic of Belarus;

credit indebtedness denominated in foreign currency resulting from rendering of credits to natural persons for construction (purchasing) of housing premises fully secured by pledge of housing premises belonging to these natural persons on the basis of the right of ownership or by pledge of property rights of these natural persons with regard to housing premises being under construction (or to be purchased);

assets (claims) denominated in foreign currency and included into the retail portfolio except for credit indebtedness of individual entrepreneurs qualified for the Group VII in accordance with the sixth paragraph of Subclause 20.5 in this Clause;

other credit indebtedness not qualified for Groups I–VII, IX–XII in accordance with Subclauses 20.1–20.5, 20.7, 20.8 in this Clause;

participation in statutory funds of legal entities (including banks, non-bank credit and financial institutions, non-bank financial institutions, the *Development Bank JSC*) not exceeding 10 per cent of the statutory fund of a legal entity except for participation in statutory funds specified in the seventeenth paragraph of this Subclause and shares qualified for the Group X in accordance with Subclause 20.7¹ in this Clause;

participation in statutory funds of legal entities in the form of shares or portions acquired in accordance with the Edict of the President of the Republic of Belarus dated May 24, 2018, No.200;

buildings, structures and other fixed assets (less accrued depreciation);

other assets not qualified for Groups I–VII, IX–XII in accordance with Subclauses 20.1–20.5, 20.7, 20.8 in this Clause;

overdue indebtedness with regard to assets (except for securities) – as for assets qualified for Groups I–VIII in accordance with Subclauses 20.1–20.6 in this Clause; indebtedness with regard to assets (except for securities) with repayment terms not mature, qualified for risk groups V–VI in accordance with the requirements of the Instruction on the Procedure for Formation and Usage by Banks, '*Development Bank of the Republic of Belarus*' *Joint-Stock Company* and Non-bank Credit and Financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet, – as for assets (except for securities) qualified for Groups I–VIII in accordance with Subclauses 20.1–20.6 in this Clause;

securities not paid within due time, bills of exchange and deposit certificates (except for those not paid within due time) qualified for risk groups V–VI as well as shares, bonds and other securities qualified for risk groups V–VI in accordance with the requirements of the Instruction on the Procedure for Formation and Usage by Banks, '*Development Bank of the Republic of Belarus*' *Joint-Stock Company* and Non-bank credit and financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet, as for the securities qualified for Groups I–VIII in accordance with Subclauses 20.1–20.6 in this Clause;

20.7. Group IX (the degree of risk 150 per cent):

securities of governments, central (national) banks of Group E countries, Group E international development banks, Group E banks, local governance and self-governance agencies in Group E countries, Group E legal entities;

securities of systemically important borrowers;

funds in central (national) banks of Group E countries, Group E international development banks, Group E banks;

payment instruments of Group E banks, Group E legal entities;

credit indebtedness of local governance and self-governance agencies in Group E countries, Group E legal entities;

credit indebtedness of systemically important borrowers;

money transferred under repo transactions where the securities qualified for this group are obtained as a collateral;

overdue indebtedness as for the credit indebtedness, payment instruments, indebtedness with regard to the funds placed in other banks, non-bank credit and financial institutions, the *Development Bank JSC* (including interbank credits, deposits in other banks) qualified for this group;

indebtedness qualified for risk groups V–VI in accordance with the requirements of the Instruction on the Procedure for Formation and Usage by Banks, '*Development Bank of the Republic of Belarus*' Joint-Stock Company and Non-bank credit and financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet, as for the credit indebtedness, payment instruments, indebtedness with regard to the funds placed in other banks, non-bank credit and financial institutions, the *Development Bank JSC* (including interbank credits, deposits in other banks) qualified for this group;

encumbered assets except for assets qualified for Groups X–XII in accordance with Subclauses 20.7¹–20.8 in this Clause;

securities listed in the second and third paragraph of this Subclause not paid within due time, bills of exchange and deposit certificates (except for those not paid within due time) qualified for risk groups V–VI as well as shares, bonds and other securities qualified for V–VI risk groups in accordance with the requirements of the Instruction on the Procedure for Formation and Usage by Banks, '*Development Bank of the Republic of Belarus*' Joint-Stock Company and Non-bank Credit and Financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet, as for the securities qualified for this group;

20.7¹. Group X (the degree of risk 400 per cent):

shares not listed for circulation on a stock exchange except for shares qualified for participation in statutory funds in accordance with the seventeenth paragraph of Subclause 20.6 in this Clause and shares qualified for the Group XII in accordance with Subclause 20.8 in this Clause;

20.7². Group XI (the degree of risk 500 per cent):

credit indebtedness of individuals in cases when the annual interest rate set as of the date of conclusion of a credit contract or modification of terms and conditions of a credit contract in terms of interest on credit is higher than the calculated value of the standard risk for credits given to individuals as set by the National Bank;

credit indebtedness of legal entities in cases when the annual interest rate set as of the date of conclusion of a credit contract or modification of terms and conditions of a credit contract in terms of interest on credit is higher than the calculated value of the standard risk for credits given to legal entities as set by the National Bank;

20.8. Group XII (the degree of risk 1000 per cent):

indebtedness with regard to the amounts not paid (not transferred) within due time with regard to the transactions (with the securities, foreign currency, precious metals, precious stones and other assets as well as derivative instruments where the basic assets are the securities, foreign currency, precious metals, precious stones and other assets) implemented as “delivery versus payment” or “payment versus payment”;

participation in statutory funds of legal entities (including the *Development Bank JSC* but except for banks, non-bank credit and financial institutions, non-bank financial institutions) exceeding 10 per cent of a statutory fund of a legal entity, except for participation in statutory funds specified in the seventeenth paragraph of Subclause 20.6 in this Clause.

21. To qualify assets, secured by guarantees (suretyships), for risk groups in accordance with Clause 20 of this Instruction, payment reception from the guarantor (surety) must be unconditional and must be carried out irrespective of implementation of preliminary legal procedures by a bank, the *Development Bank JSC* or a non-bank credit and financial institution

except for submission of payment requests for debtor's accounts in order to collect the indebtedness or sending a notification to the debtor for the debt repayment.

For assets secured by guarantees (suretyships) and not meeting the aforementioned requirements the degree of risk shall be set to 100 per cent.

22. For claims with the repayment period 90 days or less in accordance with the initial contract, as well as claims arising as a result of crediting of export and import transactions with the repayment period 180 days or less in accordance with the initial contract, the following degrees of risk shall be set:

claims for the Group B banks, Group C banks, banks and non-bank credit and financial institutions of the Republic of Belarus, the *Development Bank JSC*: 20 per cent;

claims for the Group D banks: 50 per cent;

claims for the Group A banks and Group E banks, the degree of risk shall be set in accordance with Clause 20 of this Instruction.

If the claim repayment period is extended (by way of deferment etc.) to become longer than appropriate periods specified in the first paragraph of the first part in this Clause, the degrees of risk set in accordance with second and third paragraph of the first part in this Clause shall not be applied.

22¹. The assessment of conformity of a bank's client (counterparty) with the conditions of recognition as a systemically important borrower and qualifying a bank's client (counterparty) as such borrower are conducted by a bank at its own discretion:

in making decisions about the extension of credit or performance of other active banking transactions with respect to a client (counterparty), transactions providing for the occurrence of contingent liabilities of a bank with respect to a client (counterparty), and upon the creation of bank liabilities under corresponding agreements concluded with a client (counterparty);

in making decisions about the conclusion of supplementary agreements to operating credit facility agreements and (or) agreements for the performance of other active banking transactions, transactions providing for the occurrence of contingent liabilities of a bank with respect to a client (counterparty), and upon the creation of bank liabilities under such supplementary agreements, if the terms and conditions thereof provide for the change in an aggregate amount of a client's (counterparty's) indebtedness to a bank;

in other cases specified by a bank.

22². Qualifying a bank's client (counterparty) as a systemically important borrower is conducted with due regard to the following:

22².1. an aggregate amount of a client's (counterparty's) indebtedness to a bank and other banks of the Republic of Belarus includes:

a client's (counterparty's) credit indebtedness to a bank and other banks of the Republic of Belarus;

the credit indebtedness of parties related with a client (counterparty) to a bank;

the client's (counterparty's) arrears in securities of own issue to a bank;

the arrears of parties related with a client (counterparty) in securities of own issue to a bank;

contingent liabilities of a bank and other banks of the Republic of Belarus with respect to a client (counterparty);

contingent liabilities of a bank with respect to the parties related with a client (counterparty);

22².2. the client's (counterparty's) credit indebtedness incurred as a result of factoring is included by a factor (bank) in the aggregate amount of indebtedness calculated with regard to a debtor under a factoring agreement;

22².3. inter-related requirements and liabilities are not to be excluded from the calculation of the aggregate amount of the client's (counterparty's) indebtedness;

22².4. contingent liabilities under revolving credit lines are to be included in the aggregate amount of the client's (counterparty's) indebtedness in the amount of high credit (credit limit)

and (or) aggregate debt limit under such credit less the monetary funds provided under such credit line;

22^{2.5}. amounts factored in the aggregate amount of the client's (counterparty's) indebtedness to a bank and other banks of the Republic of Belarus, expressed in foreign currencies, are translated into Belarusian rubles according to the Belarusian ruble's official exchange rate against the corresponding foreign currency as of the date of calculating;

22^{2.6}. an aggregate regulatory capital of banks of the Republic of Belarus is to be determined on the basis of the latest information accessible as of the first day of a month as posted on the official website of the National Bank on the Internet;

22^{2.7}. a value of a percentage ratio of an aggregate amount of the client's (counterparty's) indebtedness to a bank and other banks of the Republic of Belarus to an aggregate regulatory capital of banks of the Republic of Belarus is calculated as close as one decimal place rounded;

22^{2.8}. approaches to qualifying parties as related with a bank's client (counterparty), sources of information of the client's (counterparty's) indebtedness or of the same of parties related with a client (counterparty) are to be established by a bank at its own discretion;

22^{2.9}. a client (counterparty), which is not qualified as a systemically important borrower as of the date of taking decisions by a bank as specified in paragraphs two and three of clause 22¹ hereof and which will be referred to systemically important borrowers with due regard to the bank's liabilities created under agreements concluded on the basis of such decisions, shall be recognized as a systemically important borrower as of the date of the bank's liabilities commencement under such contracts and agreements with referral of this borrower's credit indebtedness and securities to the Group IX.

22³. Should the growth of an aggregate amount of the client's (counterparty's) indebtedness to a bank, from the date of qualifying by a bank of a client (counterparty) as a systemically important borrower till the date of exclusion from the group of such borrowers, be at a standstill or attributed only to the change of the Belarusian ruble's official exchange rate against foreign currencies, a risks profile, corresponding to risks profile of this client's credit indebtedness and (or) securities risks profile with no regard for qualifying this client as a systemically important borrower, is applied to such client's (counterparty's) credit indebtedness and (or) securities within the prescribed period, except in cases provided for by sub-clause 22^{2.9} of clause 22² hereof.

22⁴. The procedure of exclusion of a bank's client (counterparty) from the group of systemically important borrowers is to be determined by a bank at its own and sole discretion.

22⁵. Requirements for determining systemically important borrowers and assessment of their risks for the calculation of regulatory capital adequacy are not to be applied to *Development Bank JSC* and non-bank credit and financial institutions.

22⁶. Should a bank's client (counterparty) be recognized as a systemically important borrower, such client's (counterparty's) credit indebtedness and securities, previously referred by a bank to a group with a lower risks profile in accordance with sub-clauses 20.1–20.6 of clause 20 hereof, shall be referred to the Group IX respectively as the credit indebtedness and securities of systemically important borrowers, except in case provided for by clause 22³ hereof.

If the assets of a bank, including systemically important borrowers' credit indebtedness and securities, are qualified as encumbered, such assets shall be referred to the Group IX as encumbered assets.

22⁷. Qualification of a credit indebtedness of small and medium entrepreneurship entities to the Group VI (with the degree of risk 50 per cent) by a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall meet the conditions as follows:

the aggregate amount of assets (claims) and (or) liabilities for provision of money for the entity is not higher than 2.5 million Belarusian Rubles; and

during the previous 12 months, there were no entity's indebtedness overdue by more than 7 days to a bank, the *Development Bank JSC* or a non-bank credit and financial institution, and

there were no cases of entity's indebtedness restructuring by a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

22⁸. The degree of risk for claims to non-bank financial institutions registered by central (national) banks of their countries of founding as credit or financial institutions not being the banks and having appropriate special permissions (licenses) for implementation of banking transactions shall be assessed in accordance with the procedure set forth for the assessment of the degree of risk for claims to banks.

22⁹. The amount of participation in statutory funds of legal entities in the form of shares or portions acquired in accordance with the Edict of the President of the Republic of Belarus dated May 24, 2018, No.200, shall be taken into consideration for calculation of the credit risk amount during 5 years starting from the date when these shares or portions were acquired for the first time, in accordance with the procedure as follows:

during the first 4 years: 100 per cent of the value of shares or portions;

in the 5th year: 50 per cent of the value of shares or portions.

23. If a counteragent has two ratings meeting different degrees of risk, the higher degree of risk shall be applied; if three ratings exist meeting three degrees of risk, the average degree of risk shall be applied; if three ratings exist meeting two degrees of risk, the degree of risk with two ratings meeting it shall be applied.

To qualify a counteragent for the appropriate group, the rating set for the liability currency shall be applied.

The degree of risk with regard to the claims for non-resident banks having no rating may not be below the degree of risk with regard to the claims applied to the governments of countries where these banks are registered (except for a degree of risk for claims with the repayment period 90 days or less in accordance with the initial contract, and claims arising as a result of crediting of export and import transactions with the repayment period 180 days or less in accordance with the initial contract).

The degree of risk with regard to the claims for non-resident legal entities having no rating may not be below the degree of risk with regard to the claims applied to the governments of countries where these legal entities are registered.

24. If several methods exist to secure fulfillment of liabilities in one contract for the asset placement, a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall independently set the procedure of consideration of the credit indebtedness for appropriate risk groups.

24¹. For calculation of sufficiency of the normative capital, the amount of assets prone to the credit risk shall be found as a difference between the sum of assets prone to the credit risk and the amount of reserves formed for these assets (special reserves for cover of possible losses, other reserves for possible losses formed in accordance with the legislation and (or) the procedure set by a bank, the *Development Bank JSC* or a non-bank credit and financial institution), multiplied by the appropriate degree of risk set in accordance with Clauses 20–22 of this Instruction.

24². For calculation of sufficiency of the normative capital, the weighted sum of off-balance sheet liabilities shall be found as the sum of contingent liabilities weighted by the credit risk level and the liabilities in transactions (currency transactions, transactions with the securities etc.) weighted by the credit risk level.

25. The sum of contingent liabilities weighted by the credit risk level shall be found in accordance with the following procedure:

the credit equivalent of contingent liabilities shall be assessed as the difference between the sum of a contingent liability and the amount of formed special reserve for covering possible losses multiplied by the appropriate credit risk equivalent coefficient;

the resulting amount of the credit equivalent of a contingent liability is multiplied by the risk degree percentage of a counteragent in contingent liabilities calculated in accordance with Clauses 20 – 22 of this Instruction.

If contingent liabilities has a collateral that, due to taking it into consideration, results in lesser degree of risk as calculated in accordance with Clause 20 than that for the counteragent's liabilities, the secured part of a contingent liability shall be multiplied by the degree of risk defined in accordance with Clause 20 of this Instruction for assets having such a collateral. For example, the liability for provision of money to the bank of the Republic of Belarus, with no collateral for this liability, shall be assessed with the degree of risk 50 per cent; if a collateral exists in the form of a pledge of securities of local governance and self-governance agencies in Group A countries, this liability shall be assessed with the degree of risk 20 per cent; if a collateral is available in the form of a pledge of securities of the Government or the National Bank, or bonds of the *Development Bank JSC*, denominated in Belarusian Rubles (for liabilities where the provisions have been made for fulfillment of liabilities in Belarusian Rubles), or in the form of a pledge of securities of governments or central (national) banks of Group A countries, the degree of risk is 0 per cent.

A bank, the *Development Bank JSC*, a non-bank credit and financial institution shall have a right to apply 0 per cent degree of risk of a counteragent for contingent liabilities in cases listed in the sixth paragraph of Clause 15 in the Instruction on the Procedure for Formation and Usage by Banks, '*Development Bank of the Republic of Belarus*' *Joint-Stock Company* and Non-bank credit and financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet.

The degree of risk 0 per cent can be applied for a counteragent only if a bank, the *Development Bank JSC* or a non-bank credit and financial institution sets a procedure for assessment of the credit risk for a counteragent in contingent liabilities, providing for quick assessment of counteragent's financial situation including the procedure of collection, with reasonable time intervals, of sufficient financial and another information for early detection of signs of credit risk growth for a bank, the *Development Bank JSC* or a non-bank credit and financial institution, and this degree of risk may be applied only until the time when one or several events occur from those listed in the sixth paragraph of Clause 15 in the Instruction on the Procedure for Formation and Usage by Banks, '*Development Bank of the Republic of Belarus*' *Joint-Stock Company* and Non-bank credit and financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet.

To calculate the credit equivalent of a contingent liability, the following credit risk equivalent coefficients shall be set:

- for liabilities with high risk: 1.0;
- for liabilities with average risk: 0.5;
- for liabilities with low risk: 0.2;
- for risk-free liabilities: 0.

The following contingent liabilities shall be considered as those with high risk:

liabilities qualified by a bank, the *Development Bank JSC* or a non-bank credit and financial institution for risk groups V–VI in accordance with the requirements of the Instruction on the Procedure for Formation and Usage by Banks, '*Development Bank of the Republic of Belarus*' *Joint-Stock Company* and Non-bank credit and financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet;

irrevocable letters of credit issued or confirmed by a bank, the *Development Bank JSC* or a non-bank credit and financial institution, when no money was provided by an order giver for their fulfillment or when the provisions were made for their fulfillment by way of giving money by a bank, the *Development Bank JSC* or a non-bank credit and financial institution for making payment by a letter of credit;

irrevocable liabilities for provision of money (except for liabilities with regard to the revolving credit lines and overdraft lending).

The contingent liabilities with average risk are the liabilities with the initial period of validity 1 (one) year or more, as well as the liabilities for which the initial period of validity is not defined.

The contingent liabilities with low risk are the liabilities with the initial period of validity less than 1 (one) year.

The following risk-free contingent liabilities shall be considered as risk-free:

unconditionally revocable liabilities;

contingent liabilities secured by money (including guarantee deposits) in liability fulfillment currency and (or) in freely convertible currency, if their repayment period is longer than the period for fulfillment of liabilities, and no obstacles exist for termination of liabilities by setting-off of claims with regard to money obtained as a collateral (which includes that no provisions for possibility of early repayment (reclamation) of funds shall be in the legislation and (or) in the contract for raising of funds);

contingent liabilities for which, to fulfill these liabilities, money were obtained in liability fulfillment currency and (or) in freely convertible currency, and the money amount is sufficient to fulfill the liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution that, in accordance with the legislation and (or) the contract, may not be revoked before fulfillment of appropriate contingent liabilities by a bank, the *Development Bank JSC* or a non-bank credit and financial institution, or such contingent liabilities that the duty to fulfill them arise for a bank, the *Development Bank JSC* or a non-bank credit and financial institution only after provision of these money to it.

If several methods exist to secure fulfillment of liabilities with regard to a contingent liability, a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall independently set the procedure of consideration of a contingent liability for appropriate risk groups.

26. A sum of liabilities with regard to transactions weighted by the credit risk level shall be calculated by a bank, the *Development Bank JSC* or a non-bank credit and financial institution with regard to the liabilities of counteragents arising towards a bank, the *Development Bank JSC* or a non-bank credit and financial institution when the transactions are carried out with the financial instruments that are implemented by the parties (or for which the settlement date is set by the parties) not earlier than on the third working day after the conclusion.

A sum of liabilities weighted by the credit risk level shall not be calculated for sold options and transactions concluded at organized trading floors (exchanges) if the related monetary variation margin is paid and received daily.

A sum of liabilities with regard to transactions weighted by the credit risk level shall be calculated in accordance with the following procedure:

the credit equivalent of liabilities with regard to the transaction shall be assessed as the liabilities of counteragents arising towards a bank, the *Development Bank JSC* or a non-bank credit and financial institution within the scope of the transaction implementation multiplied by the credit risk equivalent coefficient calculated in accordance with Annex 4;

the resulting amount of the credit equivalent of a liability with regard to the transaction is multiplied by the counteragent's risk degree percentage calculated in accordance with Clauses 20–22 of this Instruction.

The residual period of validity of liabilities with regard to the transaction is set in accordance with the time remaining between the reporting date and the date of fulfillment of liabilities (or the date of settlement with regard to the liabilities). For transactions with the conditions revised for predefined dates the residual period of validity is set in accordance with the time remaining between the reporting date and the next revision date.

For transactions with several payments (basic asset swaps) the credit risk shall be increased in multiples of the number of remaining payments (basic asset swaps).

CHAPTER 5

CALCULATION OF AN AMOUNT OF ASSETS AND OFF-BALANCE LIABILITIES PRONE TO THE MARKET RISK

27. The following equation is used to calculate the amount of the market risk (MR):

$$MR = IR + SMR + ER + CR,$$

where IR is the interest risk;

SMR is the stock market risk;

ER is the exchange risk;

CR is the commodity risk.

The interest risk and the stock market risk consist of the special and the general risk.

The special risk describes the amount of possible damages (losses) resulting from variation of values of separate debt instruments and (or) equity instruments due to the issuer-related factors.

The general risk describes the amount of possible damages (losses) resulting from variation of trade portfolio due to variation of market interest rates (for financial instruments prone to the interest risk) or variation of prices at stock markets (for financial instruments prone to the stock market risk).

28. Calculation of parameters of the interest risk and the stock market risk shall be carried out when a bank, the *Development Bank JSC* or a non-bank credit and financial institution meets one of the following criteria:

28.1. as of the reporting date, the aggregated book value of the trade portfolio is equal to or higher than 5 per cent of the amount of book assets of a bank, the *Development Bank JSC* or a non-bank credit and financial institution. The book assets mean assets booked on the accounts of 1st – 5th classes (less accrued depreciation) and 65th group of accounts, *Accounts receivable*, 6th class, in accordance with the Chart of Accounts for Bookkeeping in Banks, Non-bank Credit and Financial Institutions of the Republic of Belarus and '*Development Bank of the Republic of Belarus*' Joint-Stock Company according to Annex 1 to Resolution of the Board of the National Bank of the Republic of Belarus dated 29 August, 2013, No.506, On Establishment of the Chart of Accounts for Bookkeeping in Banks, Non-bank Credit and Financial Institutions of the Republic of Belarus and '*Development Bank of the Republic of Belarus*' Joint-Stock Company and on Approval of the Instruction on the Procedure of Application of the Chart of Accounts for Bookkeeping in Banks, Non-bank Credit and Financial Institutions of the Republic of Belarus and '*Development Bank of the Republic of Belarus*' Joint-Stock Company, less the special reserves for cover of possible losses and other reserves for possible damages formed for these assets in accordance with the legislation and (or) the procedure set by a bank, the *Development Bank JSC* or a non-bank credit and financial institution;

28.2. as of the reporting date, the aggregated book value of the trade portfolio exceeds 200 per cent of the amount of a normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

28¹. The procedure for qualification of financial instruments as intended for short-term (not longer than one year) sales, receiving of profit from short-term price variations or for hedging including the criteria for requalification; the procedure for regular revaluation of positions in the trade portfolio including the sources of marketing information, intervals of revaluation, methods used for calculation of value of financial instruments; the procedure of monitoring and independent verification of positions in the trade portfolio and their assessment reliability with references to the marketing information sources (assessment of market liquidity or positions' availability for hedging) including the assessment of quality of marketing data, expenses for investments and funding, scope of operations at the market; the procedure for tracking of turnover and overdue positions in the trade portfolio of a bank, the *Development Bank JSC* or a

non-bank credit and financial institution shall be set by a bank, the *Development Bank JSC* or a non-bank credit and financial institution by their own decisions.

29. Derivative financial instruments shall be included in calculation of the amount of the market risk as positions in appropriate assets that are the basic assets for a derivative financial instrument. For the purpose of calculation of the general interest risk, forward contracts and futures contracts where the basic assets are the debt instruments including forward rate agreements shall be included in calculation of the net position for the appropriate asset as a combination of a long and a short position;

29.1. forward contracts and futures contracts where the basic assets are the debt instruments shall be considered as a combination of the position of the appropriate contract with the period remaining to the repayment equal to the contract's period of validity and the position of the appropriate debt instrument with the period remaining to the repayment equal to the period of validity of this debt instrument;

29.2. a forward rate agreement shall be considered as a combination of the position with the period remaining to the repayment equal to the time interval remaining to coming this agreement into force plus its period of validity and the position with the period remaining to coming this agreement into force;

29.3. a futures contract where the basic asset is the index of debt instruments shall be included in calculation with the market value of debt instruments that are the components of this index.

30. A swap transaction where a bank, the *Development Bank JSC* or a non-bank credit and financial institution receives incomes in accordance with a floating interest rate and pays expenses in accordance with a fixed interest rate shall be considered as a long position with a floating interest rate, with the period remaining to the repayment equal to the time interval remaining to the next revision of the interest rate (or equal to the period of validity of the swap transaction if no date is specified for the next revision of the interest rate) or as a short position with a fixed interest rate, with the period remaining to the repayment equal to the period of validity of the swap transaction.

If a price set by one party in a swap transaction is based not on an interest index but on another price benchmark (for example, the stock index price), the amount of this price benchmark shall be included into calculation of the amount of market risks.

31. Uniform financial instruments shall be used for calculation of net positions of a bank, the *Development Bank JSC* or a non-bank credit and financial institution. For the purposes of this Instruction, uniform financial instruments shall mean the instruments meeting the following conditions when issued:

- issued by one legal entity; and
- have the same yield; and
- denominated in one currency; and
- have the same repayment period.

32. Opposite positions for uniform derivative financial instruments shall be eliminated from calculation of an amount of the market risk. For the purposes of this Instruction, uniform derivative financial instruments shall mean derivative financial instruments where the basic assets are the same and have the same nominal value denominated in one currency. For elimination from the calculation, uniform derivative financial instruments must meet the following conditions:

32.1. for futures contracts, the periods remaining to the repayment must not differ from each other by more than seven days, the basic assets must have the same yield and must not differ from each other in their periods remaining to the repayment by more than seven days;

32.2. for forward contracts and swap transactions including forward rate agreements the yields of basic assets must be equal (the difference must not exceed 0.15 per cent) if the fixed interest rate is set; if the floating interest rate is set, the price benchmark defining the floating interest rate variations must be the same (e.g. LIBOR);

32.3. for forward contracts and swap transactions including forward rate agreements the difference between the residual periods remaining to the basic asset repayment, with the specified fixed interest rate, and the periods remaining to the next date of revision of this interest rate must meet the following conditions:

if the residual period remaining to the basic asset repayment and the period remaining to the next date of revision of the interest rate are not longer than one month: 0 days;

if the residual period remaining to the basic asset repayment and the period remaining to the next date of revision of the interest rate are equal to or longer than one month but shorter than one year: not more than 7 days;

if the residual period remaining to the basic asset repayment and the period remaining to the next date of revision of the interest rate are equal to or longer than one year: not more than 30 days.

33. Options with basic assets having the market value shall be included in calculation of the market risk with the amount, weighted by a coefficient, of claims and liabilities booked on off-balance accounts and resulting from purchases and sales of options with the same basic asset by a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

Options with basic assets having no market value shall be included in calculation of the market risk with the amount of claims and liabilities booked on off-balance accounts.

For calculation of the market risk for options with basic assets having the market value, the difference shall be calculated between the option exercise price and the market value of the basic asset being the basis for this option; this difference must be reduced by the amount of paid (or received) option premium.

The difference between the option exercise price and the market value of the basic asset being the basis for this option shall be calculated as follows:

for put options: the difference between the value of the option's basic asset as defined by the contract and the current market value of the basic asset;

for call options: the difference between the current market value of the option's basic asset and the value of the option's basic asset as defined by the contract.

Depending on the result of calculation, claims and liabilities resulting from purchases and sales of options with the same basic asset by a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall be weighted by the following coefficients:

if the result is 0: the coefficient 0.5;

if the result is greater than 0: the coefficient 1;

if the result is less than 0: the coefficient 0.

CHAPTER 6

CALCULATION OF AN AMOUNT OF ASSETS AND OFF-BALANCE LIABILITIES PRONE TO THE INTEREST RISK

34. The following equation is used to calculate the amount of the interest risk (IR):

$$IR = SIR + GIR,$$

where SIR is the special interest risk;

GIR is the general interest risk.

The amounts of special and general interest risks shall be calculated separately for each currency (including the Belarusian Rubles).

The interest risk shall not be calculated for purchased options where the basic assets are the financial instruments yielding interests, the indices of securities sensitive to variations of interest rates, or contracts with the provisions specifying that the related claims and (or) liabilities shall be calculated in accordance with interest rates.

34¹. Debt instruments of own emission that were bought out by an issuing bank before becoming mature for repayment shall not be included in calculation of the interest risk.

35. For calculation of amount of the special interest risk, all long and short net positions for debt instruments shall be subdivided into the following five groups, with the following degrees of risk set for them:

35.1. Group I (the degree of risk 0 per cent):

debt instruments (except for derivative financial instruments) of governments and (or) central (national) banks of Group A countries denominated in currency of a debtor country;

debt instruments (except for derivative financial instruments) of the Government and (or) of the National Bank, bonds of the *Development Bank JSC*, denominated in Belarusian Rubles;

debt instruments (except for derivative financial instruments) denominated in currency of a debtor country, fully guaranteed by the governments and (or) central (national) banks of Group A countries as well as by the Government and (or) by the National Bank, or fully secured by their securities;

35.2. Group II (the degree of risk 0.25 per cent): debt instruments (except for derivative financial instruments) with the period remaining to the repayment not longer than 6 months:

debt instruments (except for derivative financial instruments) of the Government and (or) of the National Bank denominated in foreign currency;

debt instruments (except for derivative financial instruments) of governments and (or) central (national) banks of Group A countries denominated in currency different from currency of a debtor country;

debt instruments (except for derivative financial instruments) of governments and (or) central banks of Group B or Group C countries;

debt instruments (except for derivative financial instruments) of banks, non-bank credit and financial institutions of the Republic of Belarus, the *Development Bank JSC* (except for securities listed in the third paragraph of Subclause 35.1 in this Clause), local executive and administrative agencies of the Republic of Belarus, denominated in Belarusian Rubles;

debt instruments (except for derivative financial instruments) of international financial institutions and development banks;

debt instruments (except for derivative financial instruments) denominated in currency different from currency of a debtor country and fully guaranteed by organizations listed in second – sixth paragraphs of this Subclause, or fully secured by their securities;

debt instruments (except for derivative financial instruments) of banks, other legal entities, local governance and self-governance agencies in Group A countries;

debt instruments (except for derivative financial instruments) of legal entities with their share quotations included in calculation of consolidated stock indices: All Ords, Australia; ATX, Austria; BEL20, Belgium; TSE35, Canada; CAC40, France; DAX, Germany; Nikkei225, Japan; EOE25, the Netherlands; IBEX35, Spain; OMX, Sweden; SMI, Swidzerland; FTSE100 and FTSEmid-250, Great Britain; Dow-Jones and S&P500, the USA;

debt instruments (except for derivative financial instruments) of legal entities of Group B or Group C countries but having a rating not less than the investment rating of one of aforementioned rating agencies and any other international rating agency. If a rating of a legal entity falls below the investment rating, debt instruments shall be qualified for the V degree of risk;

35.3. Group III (the degree of risk 1 per cent): debt instruments (except for derivative financial instruments) listed in Subclause 35.2 of this Clause, with the period remaining to the repayment from 6 to 24 months;

35.4. Group IV (the degree of risk 1.6 per cent): debt instruments (except for derivative financial instruments) listed in Subclause 35.2 of this Clause, with the period remaining to the repayment longer than 24 months;

35.5. Group V (the degree of risk 8 per cent): other debt instruments not meeting the requirements listed in Subclauses 35.1–35.4 of this Clause.

36. Weighted long and short net positions in foreign currencies shall be converted into Belarusian Rubles in accordance with the official exchange rate of the Belarusian Ruble versus

the appropriate foreign currency as of the date of settlement. The amount of special interest risk is assumed to be equal to the sum (with the position signs not taken into consideration) of weighted positions for each currency.

Interest and currency swap transactions, interest and currency forward contracts, interest and currency futures contracts and futures contracts where the basic assets are interest indices shall not be included in calculation of the special interest risk amount.

37. To calculate the general interest risk amount, at the discretion of a bank, the *Development Bank JSC* or a non-bank credit and financial institution, the *repayment* method or the *time span* method may be used.

38. If the repayment method is used, the general interest risk amount shall be calculated as follows:

38.1. net positions for debt instruments are distributed into appropriate time intervals depending on the period remaining to the debt instrument repayment (hereinafter referred to as the time interval to the repayment) according to Annex 1. Debt instruments to be repaid on sight shall be qualified for the repayment time interval less than one month or for the repayment time interval in accordance with the expected times of selling these debt instruments.

Debt instruments with the fixed interest rate shall be distributed in accordance with the period remaining to the repayment; debt instruments with the floating interest rate, in accordance with the period remaining to the next revision of the interest rate (or, if no date is specified for the next revision of the interest rate, in accordance with the period remaining to the repayment);

38.2. a net position for a debt instrument within a time interval to the repayment shall be weighted by the risk coefficient corresponding to the time interval to the repayment according to Annex 1. The sum of weighted net positions shall be calculated within each time interval to the repayment, depending on the position sign used to identify long and short positions in each time interval to the repayment.

A net position of a time interval to the repayment shall be calculated as the difference between a long position and a short position, weighted by the risk coefficient, in a time interval to the repayment. As a result, only one long or short weighted net position remains in each time interval to the repayment;

38.3. time intervals to the repayment are merged to form the zones according to Annex 1. The sum of net positions of time intervals to the repayment shall be calculated in each zone depending on the net position sign, to find the long and short position in each zone.

The net position is calculated in each zone as the difference between the long and short position in a zone.

39. The amount of the general interest risk shall be assumed to be equal to the sum of the values as follows (with the position signs not taken into consideration):

39.1. 10 per cent of a long or short position, whichever is smaller, from each time interval to the repayment. If a long and short position are equal in one time interval to the repayment, this equal value shall be used for calculation;

39.2. the minimum value of a long or short position in each zone, subject to weighting by the following risk coefficients:

zone I: 40 per cent;

zone II: 30 per cent;

zone III: 30 per cent;

39.3. the minimum value of net positions in two zones having opposite signs of positions, subject to weighting by the following risk coefficients:

between zones I and II: 40 per cent;

between zones II and III: 40 per cent;

between zones I and III: 100 per cent.

If the values of net positions in zones weighed by risk coefficients have the same sign the amount of risk between these zones shall be assumed to be zero;

39.4. 100 per cent of the aggregate amount of the open net position calculated as the difference between the sum of short positions and the sum of long positions for all zones.

40. If the *time span* method is used, the amount of the general interest risk shall be calculated as follows:

40.1. for each debt instrument, the modified duration coefficient is calculated in accordance with the formula given in Annex 3;

40.2. debt instruments are distributed into the appropriate time intervals, depending on the calculated modified duration coefficient (hereinafter referred to as the duration time interval) according to Annex 2.

For each debt instrument, the amount of possible variation of its value shall be calculated (with the debt instrument position sign taken into consideration) as the debt instrument value multiplied by the modified duration coefficient and by the amount of possible variation of the interest rate, with this amount corresponding to the duration time interval, according to Annex 2;

40.3. the sum of possible variations of values of debt instruments shall be calculated within each duration time interval, depending on the sign of position of appropriate debt instrument, to find the long and the short position within each duration time interval.

The net position of the duration time interval shall be calculated as the difference between the long and the short position of the duration time interval;

40.4. duration time intervals are merged to form the zones according to Annex 2. The sum of net positions of duration time intervals shall be calculated in each zone depending on the net position sign, to find the long and short position in each zone.

The net position is calculated in each zone as the difference between the long and the short position in a zone.

41. The amount of the general interest risk shall be assumed to be equal to the sum of the values as follows (with the position signs not taken into consideration):

41.1. 5 per cent of a long or short position, whichever is smaller, from each duration time interval. If a long and a short position are equal in one duration time interval, this equal value shall be used for calculation;

41.2. the minimum value of a long or short position in each zone, subject to weighting by the following risk coefficients:

zone I: 40 per cent;

zone II: 30 per cent;

zone III: 30 per cent;

41.3. the minimum value of net positions between zones having opposite signs of positions, subject to weighting by the following risk coefficients:

between zones I and II: 40 per cent;

between zones II and III: 40 per cent;

between zones I and III: 100 per cent.

If the values of net positions in zones weighed by risk coefficients have the same sign the amount of risk between these zones shall be assumed to be zero;

41.4. 100 per cent of the aggregate amount of the open net position calculated as the difference between the sum of short positions and the sum of long positions for all zones.

42. The resulting amounts of the general interest risk for each foreign currency shall be converted into Belarusian Rubles in accordance with the official exchange rate of the Belarusian Ruble versus the appropriate foreign currency as of the date of settlement. The amount of the general interest risk shall be assumed to be equal to the sum (with the position signs not taken into consideration) of resulting values for each currency.

CHAPTER 7

CALCULATION OF AN AMOUNT OF ASSETS AND OFF-BALANCE LIABILITIES PRONE TO THE STOCK MARKET RISK, EXCHANGE RISK AND COMMODITY RISK

43. The following equation is used to calculate the amount of the stock market risk (SMR):

$$\text{SMR} = \text{SSMR} + \text{GSMR},$$

where SSMR is the special stock market risk;

GSMR is the general stock market risk.

The amounts of special and general stock market risk shall be calculated separately for each country portfolio. For this purpose, equity instruments shall be grouped separately by countries, and net positions shall be found for each type of equity instruments.

A country portfolio is a combination of equity instruments in a trade portfolio where the issuers are the residents of one country.

44. To calculate the special risk, the gross position of a country portfolio shall be calculated. The gross position of a country portfolio shall be weighted by the risk coefficient that is 8 per cent.

Weighted gross positions of country portfolios in foreign currencies shall be converted into Belarusian Rubles in accordance with the official exchange rate of the Belarusian Ruble versus the appropriate foreign currency as of the date of settlement. The amount of the special stock market risk is assumed to be equal to the sum of weighted gross positions for each country portfolio.

45. To calculate the general stock market risk, the net position for the country portfolio shall be calculated as the difference between net long positions and net short positions for types of equity instruments. Net positions for the country portfolio shall be weighted by the risk coefficient that is 8 per cent.

The amount of the general stock market risk for a derivative financial instrument where the basic asset is the amount of the stock index shall be calculated in accordance with the same procedure as the amount of the general stock market risk for equity instruments. The derivative financial instrument shall be included into the calculation of the general stock market risk as a separate position of a bank, the *Development Bank JSC* or a non-bank credit and financial institution with regard to the stock index with the amount of the sum of market values of securities being the components of a stock index.

Net positions for stock indices shall be weighted by the risk coefficient that is 10 per cent.

Weighted net positions for country portfolios and stock indices in foreign currencies shall be converted into Belarusian Rubles in accordance with the official exchange rate of the Belarusian Ruble versus the appropriate foreign currency as of the date of settlement.

The amount of the general stock market risk shall be calculated as the sum of weighted net positions for each country portfolio and stock index.

46. The amount of the exchange risk (ER) shall be calculated in accordance with the positions of a bank, the *Development Bank JSC* or a non-bank credit and financial institution denominated in foreign currency, the precious metal in bank bullion bars, reevaluated bullion bars, reevaluated coins, as follows:

$$\text{ER} = \text{AOP} \times 0.08,$$

where AOP is the aggregated open position of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in terms of the exchange risk.

The amount of the exchange risk shall not be taken into consideration for calculation of the market risk amount if the aggregated open position of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in terms of the exchange risk is not higher than 2.5 per cent of the normative capital.

47. For the purpose of calculation of the exchange risk, the open net position shall be calculated for each foreign currency or precious metal in bank bullion bars, reevaluated bullion

bars or reevaluated coins; then, the aggregated open position a bank, the *Development Bank JSC* or a non-bank credit and financial institution in terms of the exchange risk shall be calculated.

48. The claims of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in foreign currency or precious metals in bank bullion bars, reevaluated bullion bars or reevaluated coins shall be calculated in accordance with the following procedure:

48.1. balance claims are calculated, i.e. an active part of a balance sheet for accounts where the entries are made for transactions with foreign currency and precious metals in bank bullion bars, reevaluated bullion bars or reevaluated coins, except for an account for open currency position entries;

48.2. balance claims are reduced by the amount of special reserves for cover of possible losses incompletely formed as of the last date of their formation (adjustment) in assets for which the banks, the *Development Bank JSC*, non-bank credit and financial institutions may form special reserves for cover of possible losses in foreign currency in accordance with the Instruction on the Procedure for Formation and Usage by Banks, '*Development Bank of the Republic of Belarus*' *Joint-Stock Company* and Non-bank credit and financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet;

48.3. off-balance claims are calculated, i.e. the claims of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in foreign currency and precious metals in bank bullion bars, reevaluated bullion bars or reevaluated coins, booked on off-balance accounts for the receipt of an acquired asset and (or) for the receipt of money for sold assets.

49. Liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in foreign currency or precious metals in bank bullion bars, reevaluated bullion bars or reevaluated coins shall be calculated in accordance with the following procedure:

49.1. balance liabilities are calculated, i.e. a passive part of a balance sheet for accounts where the entries are made for transactions with foreign currency and precious metals in bank bullion bars, reevaluated bullion bars or reevaluated coins, except for an account for open currency position entries;

49.2. off-balance liabilities in foreign currency and precious metals in bank bullion bars, reevaluated bullion bars or reevaluated coins are calculated:

liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution for the delivery of the sold asset and (or) for the delivery of money for purchased assets, booked on off-balance accounts;

contingent liabilities with regard to which the banks, the *Development Bank JSC*, non-bank credit and financial institutions may form special reserves for cover of possible losses in foreign currency in accordance with the Instruction on the Procedure for Formation and Usage by Banks, '*Development Bank of the Republic of Belarus*' *Joint-Stock Company* and Non-bank credit and financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet, with the amount equal to that of special reserves for cover of possible losses incompletely formed as of the last date of their formation (adjustment).

50. The amount of positions for each foreign currency shall be converted into Belarusian Rubles in accordance with the official exchange rate of the Belarusian Ruble versus the appropriate foreign currency as of the date of settlement.

The amount of positions in a precious metal in bank bullion bars, reevaluated bullion bars or reevaluated coins in a standard unit of accounting of a precious metal in bank bullion bars, reevaluated bullion bars or reevaluated coins shall be converted into Belarusian Rubles in accordance with the price for a precious metal in bank bullion bars, reevaluated bullion bars or reevaluated coins set by the National Bank and valid as of the date of settlement.

The sums of open net positions for each foreign currency and the sums of open net positions for each precious metal in bank bullion bars, reevaluated bullion bars or reevaluated coins, converted into Belarusian Rubles, shall be calculated, depending on the position sign, for

identification of the common short and long currency position and the common short and long position in precious metals in bank bullion bars, reevaluated bullion bars or reevaluated coins in Belarusian Rubles.

51. The aggregated open position in terms of the exchange risk is assumed to be equal to the sum of the following amounts (with the sign of positions not taken into consideration):

the common long currency position or the common short currency position, whichever is greater;

the common long position or the common short position in precious metals in bank bullion bars, reevaluated bullion bars or reevaluated coins, whichever is greater.

52. The commodities shall be included in calculation of the commodity risk amount at their book value (less accrued depreciation). Derivative financial instruments where the basic assets are commodities shall be included in calculation of the commodity risk amount in accordance with the following procedure:

52.1. forward contracts and futures contracts as well as options shall be considered in terms of the nominal quantity of commodities, based on the standard unit of measurement, in value terms; for these purposes, the receipt of commodities is a long position for these commodities, and the delivery of commodities is a short position;

52.2. swap transactions where the basic asset is only one commodity but the cash flow is implemented in accordance with fixed and current market prices shall be considered as the nominal quantity of a commodity in the swap transaction multiplied by the number of agreed payments. Money payment at a fixed price and money receipt at a floating price are long positions, money receipt at a fixed price and payment at a floating price are short positions;

52.3. swap transactions where the basic assets are different commodities shall be considered as positions of appropriate commodities;

52.4. net positions for same types of derivative financial instruments where the basic assets are commodities shall be calculated if these derivative financial instruments have the same commodities as a basic asset, the quantity of this commodity and the period remaining to the repayment, and denominated in the same currency.

To calculate the commodity risk, the book value of positions for these commodities shall be reduced by the amount of related reserves for cover of possible losses formed in accordance with the legislation and (or) the procedure set by a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

53. The amount of the commodity risk shall be calculated for each commodity in accordance with the following procedure:

53.1. a long and short position is calculated for each commodity by adding all long and short positions;

53.2. a net position is calculated for each commodity as the difference between a long and short position for the appropriate commodity;

53.3. a gross position is calculated for each commodity by adding a long and short position for the appropriate commodity.

The amount of the commodity risk is assumed to be equal to the sum of the following values:

15 per cent of the net position amount for each commodity;

3 per cent of the gross position amount for each commodity.

The amount of the commodity risk shall be calculated is assumed to be equal to the sum of the amounts of commodity risks for each commodity.

CHAPTER 7¹

CALCULATION OF AN AMOUNT OF THE TRANSACTIONAL RISK

53¹. The amount of the transactional risk shall be calculated in accordance with the basic indicative approach or the standardized approach. The standardized approach may be applied by

banks, the *Development Bank JSC* or non-bank credit and financial institutions only after the consent given by the National Bank.

53². If the basic indicative approach is used, the following equation shall be used to calculate the amount of the transactional risk (TR):

$$TR = GI \times \alpha/n,$$

where GI is the sum of positive annual gross income for the previous three years;

α is the fixed amount, 0.15;

n is the number of years in previous three years when the annual gross income was positive.

An annual gross income includes net interest incomes and net non-interest incomes. Net interest incomes include net commission incomes; net incomes in transactions with derivative financial instruments; net incomes in transactions with the securities qualified 'for trading', and recorded at fair value, with the reevaluation results booked on income and expense accounts in accordance with NFRS 39; net incomes in transactions with foreign currency, precious metals and precious stones. Data that shall be used to calculate the annual gross income are the data used for preparation of the profit and loss statement within the scope of an annual bookkeeping (financial) reporting of a bank, the *Development Bank JSC* or a non-bank credit and financial institution, with the mandatory audit carried out for this reporting in accordance with the legislation. For the period from 1 January to the date of reception of the auditor's report with the results of an audit of an annual bookkeeping (financial) reporting of a bank, the *Development Bank JSC* or a non-bank credit and financial institution, the amount of an annual gross income is calculated in accordance with the data listed in the *Bookkeeping Balance Sheet* reporting form as of the last working day of the accounting year in accordance with the legislation, with the reported data preceding the closure of the income and expense accounts for the balance account for profit and loss accounting.

53³. If the standardized approach is used, all activities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall be classified into eight areas of activities (hereinafter referred to as business lines): corporate financing, trade and sales, retail banking services, commercial banking transactions, payments and settlements, agent services, asset management, retail broker services.

All types of banking activities that cannot be directly qualified for one of business lines but perform auxiliary functions for business lines, they shall be included into the business line for which they perform auxiliary functions. If more than one business line is supported by an auxiliary service the objective criteria for distribution between these business lines must be used. The classification procedure and results must be defined clearly and in details by a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

Correspondence between the types of activities and business lines must meet the boundaries between the lines of activities that were defined for the credit and market risk for the purpose of calculation of sufficiency of a normative capital for a bank, the *Development Bank JSC* or a non-bank credit and financial institution. For all departures from this principle, reasons and description must be provided by a bank, the *Development Bank JSC* or a non-bank credit and financial institution in accordance with the procedure established by them.

The following equation shall be used to calculate the amount of the transactional risk (TR):

$$TR = \{ \sum_{\text{years } 1-3} \max [\sum (GI_{1-8} \times \beta_{1-8}), 0] \} / 3,$$

where $\max [\sum (GI_{1-8} \times \beta_{1-8}), 0]$ is the amount of the positive annual gross income for all business lines in a particular year;

GI_{1-8} is the amount of the gross income (positive or negative) for business lines in a particular year;

β_{1-8} is a fixed amount (per cent) set for each business line (see Annex 5 for the values of β).

If the standardized approach is used, the gross income of a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall be calculated for each business line. If, for the purposes of the gross income distribution by the types of activities, is cannot be qualified for the particular business line, it shall be qualified for a business line with the highest gross income. This principle of distribution shall be also applied to an auxiliary function related to this type of activity. The gross income distribution procedure must be defined clearly and in details by a bank, the *Development Bank JSC* or a non-bank credit and financial institution. The sum of an annual gross income for all business lines must meet the data in the profit and loss statement within the scope of an annual bookkeeping (financial) reporting of a bank, the *Development Bank JSC* or a non-bank credit and financial institution, with the mandatory audit carried out for this reporting in accordance with the legislation. For the period from 1 January to the date of reception of the auditor's report with the results of an audit of an annual bookkeeping (financial) reporting of a bank, the *Development Bank JSC* or a non-bank credit and financial institution, the sum of an annual gross income for all business lines must meet the data listed in the *Bookkeeping Balance Sheet* reporting form as of the last working day of the accounting year in accordance with the legislation, with the reported data preceding the closure of the income and expense accounts for the balance account for profit and loss accounting.

53⁴. To obtain the consent of the National Bank for application of the standardized approach for calculation of a transactional risk, a bank, the *Development Bank JSC* or a non-bank credit and financial institution must meet the following criteria:

53⁴.1. management bodies of a bank, the *Development Bank JSC* or a non-bank credit and financial institution actively take part in the transactional risk management;

53⁴.2. the structural subdivision has been formed or official(s) has (have) been appointed in a bank, the *Development Bank JSC* or a non-bank credit and financial institution to implement the transactional risk management including the development of the strategy for identification, assessment, monitoring, control and reduction (minimization) of the transactional risk, the development and implementation of the methodology for the transactional risk assessment and the internal reporting system;

53⁴.3. the transactional risk management system of a bank, the *Development Bank JSC* or a non-bank credit and financial institution has been activated completely, integrated into the risk management system as a whole and meets the requirements and recommendations for the internal control system arrangement listed in the Instruction on Internal Control Arrangement in Banks, 'Development Bank of the Republic of Belarus' Joint-Stock Company and Non-bank credit and financial Institutions;

53⁴.4. local legal acts meet the requirements listed in Clause 53³ of this Instruction, regularly revised and amended when the new types of activities arise or existing ones undergo changes;

53⁴.5. data about the transactional risks (including large losses by types of activities) are regularly collected in a bank, the *Development Bank JSC* or a non-bank credit and financial institution, and the database has been prepared containing the gross income data and transactional risk occurrence facts by business lines and types of activities for at least three calendar years;

53⁴.6. a bank, the *Development Bank JSC* or a non-bank credit and financial institution has sufficient resources, technical and staff-related first of all, to use the standardized approach and to implement the internal control and audit covering this usage;

53⁴.7. the management processes and the transactional risk assessment system are subject to regular inspection and independent audit including the procedures to check their compliance with the criteria listed in Subclauses 53⁴.1–53⁴.6 of this Clause.

53⁵. To obtain a permission of the National Bank for application of the standardized approach, a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall submit a request to the National Bank, with enclosed copies of local legal acts of a bank, the

Development Bank JSC or a non-bank credit and financial institution as well as other documents containing information that provides grounds for making a conclusion confirming that a bank, the *Development Bank JSC* or a non-bank credit and financial institution observe the requirements listed in Clause 53⁴ of this Instruction.

The National Bank shall consider the documents, inspect a bank, the *Development Bank JSC* or a non-bank credit and financial institution for compliance with the requirements listed in Clause 53⁴ of this Instruction and, within three months from the date of submission of documents, shall give its consent for or refuse to permit application of the standardized approach by a bank, the *Development Bank JSC* or a non-bank credit and financial institution for calculation of the amount of the transactional risk.

The National Bank may establish a preliminary period during which it will be capable to carry out the monitoring for application of the standardized approach by a bank, the *Development Bank JSC* or a non-bank credit and financial institution, and only after this period a bank, the *Development Bank JSC* or a non-bank credit and financial institution will obtain a permission for application of the standardized approach or will be refused.

If the National Bank gives its consent, a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall apply the standardized approach for calculation of the amount of the transactional risk, starting from the reporting date following the date when the notification about the decision made by the National Bank is received by a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

Upon the National Bank's consent for application of the standardized approach, a bank, the *Development Bank JSC* or a non-bank credit and financial institution may not apply the basic indicative approach again at their own discretion (without the consent of the National Bank).

The following shall be the reasons for the National Bank to refuse to give the permission:
failure to meet the criteria set in Clause 53⁴ of this Instruction;

failure by a bank, the *Development Bank JSC* or a non-bank credit and financial institution to submit the copies of local legal acts as well as other documents that may contain information providing grounds for making a conclusion confirming that a bank, the *Development Bank JSC* or a non-bank credit and financial institution observe the requirements listed in Clause 53⁴ of this Instruction.

The National Bank has a right to make a decision to withdraw the consent for application of the standardized approach from a bank, the *Development Bank JSC* or a non-bank credit and financial institution subject to the request of a bank, the *Development Bank JSC* or a non-bank credit and financial institution or in cases when, as a result of inspections, inconsistency with the criteria set in Clause 53⁴ of this Instruction is found; in such cases, the notification must be sent to a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

Starting from the reporting date following the date when a bank, the *Development Bank JSC* or a non-bank credit and financial institution receives the notification informing that the decision had been made by the National Bank to withdraw the consent for application of the standardized approach, a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall apply the basic indicative approach for the transactional risk calculation.

SECTION III SAFE OPERATION NORMS

CHAPTER 8 MINIMAL NORMATIVE CAPITAL AMOUNT NORM

54. Withdrawn.

55. Withdrawn.

56. The minimal amount of the normative capital calculated in accordance with this Instruction shall be set to:

45.0 million Belarusian Rubles, taking into consideration the indexation carried out previously in accordance with the second part of this Clause, for a bank;

0.5 million Belarusian Rubles taking into consideration the indexation carried out previously in accordance with the second part of this Clause, for a non-bank credit and financial institution having a right to carry out one or several banking transactions from the following ones, in permissible combinations:

provision of payment and (or) cash service for natural persons and (or) of legal entities including correspondent banks;

currency exchange transactions;

purchase or sale of precious metals and (or) precious stones in cases provided for by the National Bank;

provision of natural and (or) legal entities with special rooms or safes in these rooms for banking keeping of documents and valuables (money, securities, precious metals and precious stones etc.);

transportation of cash money, precious metals, precious stones and other valuables between banks and non-bank credit and financial institutions, or delivery of these valuables to the clients of banks and non-bank credit and financial institutions;

2.5 million Belarusian Rubles taking into consideration the indexation carried out previously in accordance with the second part of this Clause, for non-bank credit and financial institutions having a right to carry out, in addition to the banking transactions listed in fourth – eights paragraphs in this Clause, one or several banking transactions from the following ones, in permissible combinations:

raising money of legal entities, except for correspondent banks, to the accounts and (or) depositions (deposits);

opening and keeping of bank accounts of legal entities except for correspondent banks;

opening and keeping of accounts of legal entities in precious metals;

raising and placement of precious metals and (or) precious stones to the depositions (deposits) of legal entities;

collection of cash money, precious metals, precious stones and other valuables;

5.0 million Belarusian Rubles taking into consideration the indexation carried out previously in accordance with the second part of this Clause, for non-bank credit and financial institutions having a right to carry out, in addition to the banking transactions listed in fourth – eights and tenth – fourteenth paragraphs in this Clause, one or several banking transactions from the following ones, in permissible combinations:

issuing of bank guarantees;

money trust in accordance with the money trust contract;

financing versus money claim cession (factoring).

The minimal amount of the normative capital specified in the first part of this Clause is subject to indexation, taking into consideration the Consumer Price Index published by the National Statistics Committee of the Republic of Belarus. Indexation of the minimal normative capital amount shall be carried out in the last month of each quarter by adjustment in accordance with the Consumer Price Index calculated as a cumulative sum for three previous months before the month when the indexation is carried out, rounded to 10.0 thousand Belarusian Rubles (the amounts less than 5.0 thousand Belarusian Rubles shall be chopped, the amounts equal to or higher than 5.0 thousand Belarusian Rubles shall be rounded up to 10.0 thousand Belarusian Rubles), and this indexation shall be applied for the purposes of supervision, starting from the first day of the quarter following the month when the indexation was carried out.

Information about the current minimal amount of the normative capital shall be published on the National Bank's official site in Internet.

56¹. Withdrawn.

CHAPTER 9

NORMATIVE CAPITAL SUFFICIENCY NORMS

57. The normative capital sufficiency norm is the marginal percentage ratio of the amount (or part) of the normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution versus risks assumed by a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

The following equation shall be used to calculate the normative capital sufficiency (CS)

$$CS = \frac{NC (PCI, CI)}{CR + A \times (TR + MR)} \times 100 \text{ (per cent),}$$

where NC (PCI, CI) is the amount of the normative capital (Level I principal capital, Level I capital);

CR is the amount of the credit risk defined as the sum of assets calculated in accordance with Clause 24¹ of this Instruction, weighted by the credit risk level and prone to the credit risk, and off-balance sheet liabilities calculated in accordance with Clause 24² of this Instruction;

MR is the amount of the market risk calculated in accordance with Clause 27 of this Instruction;

TR is the amount of the transactional risk;

A is the number equal to 10 (for calculation of the normative capital sufficiency amount), 22.2 (for calculation of the Level I principal capital sufficiency amount) and 16.7 (for calculation of the Level I capital sufficiency amount).

58. The amount of assets prone to the credit risk shall be taken into consideration for the normative capital sufficiency calculation except for the trade portfolio assets and the commodities taken into consideration for calculation of the market risk amount (if it is subject to calculation) as well as assets deducted from calculation of the normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

59. The following regulatory capital adequacy ratios in the amounts as defined in accordance with sub-clause 59¹ hereof are set for a bank:

Common Equity Tier I Capital adequacy ratio;

Common Equity Tier I Capital adequacy ratio with a conservation buffer;

Common Equity Tier I Capital adequacy ratio with a conservation buffer and a countercyclical buffer;

Common Equity Tier I Capital adequacy ratio with a conservation buffer, a countercyclical buffer and a systemic importance buffer for a bank ranked as systemically important and included on the list of such banks posted on the official website of the National Bank on the Internet;

Tier I Capital adequacy ratio;

regulatory capital adequacy ratio;

regulatory capital adequacy ratio with a conservation buffer.

The following regulatory capital adequacy ratios in the amounts as defined in accordance with sub-clause 59¹ hereof are set for a non-bank credit and financial institution:

Common Equity Tier I Capital adequacy ratio;

Common Equity Tier I Capital adequacy ratio with a conservation buffer;

Common Equity Tier I Capital adequacy ratio with a conservation buffer and a systemic importance buffer for a non-bank credit and financial institution ranked as systemically important and included on the list of such institutions posted on the official website of the National Bank on the Internet;

Tier I Capital adequacy ratio;

regulatory capital adequacy ratio;

regulatory capital adequacy ratio with a conservation buffer.

The following regulatory capital adequacy ratios in the amounts as defined in accordance with sub-clause 59¹ hereof are set for *Development Bank JSC*:

Common Equity Tier I Capital adequacy ratio;

Common Equity Tier I Capital adequacy ratio with a conservation buffer;
Common Equity Tier I Capital adequacy ratio with a conservation buffer and a countercyclical buffer;

Tier I Capital adequacy ratio;
regulatory capital adequacy ratio;
regulatory capital adequacy ratio with a conservation buffer.

59¹. For the purpose of supervision of regulatory capital adequacy and assessment of its quality regulatory capital adequacy ratios are to be set as follows:

Common Equity Tier I Capital adequacy ratio – 4.5 per cent;

Common Equity Tier I Capital adequacy ratio with a conservation buffer – in the amount of Common Equity Tier I Capital adequacy ratio increased by the value of a conservation buffer;

Common Equity Tier I Capital adequacy ratio with a conservation buffer and a countercyclical buffer - in the amount of Common Equity Tier I Capital adequacy ratio with a conservation buffer increased by the value of a countercyclical buffer;

Common Equity Tier I Capital adequacy ratio with a conservation buffer, a countercyclical buffer and a systemic importance buffer - in the amount of Common Equity Tier I Capital adequacy ratio with a conservation buffer and a countercyclical buffer increased by the value of a systemic importance buffer;

Common Equity Tier I Capital adequacy ratio with a conservation buffer and a systemic importance buffer - in the amount of Common Equity Tier I Capital adequacy ratio with a conservation buffer increased by the value of a systemic importance buffer;

Tier I Capital adequacy ratio – in the amount of Common Equity Tier I Capital adequacy ratio with a conservation buffer, a countercyclical buffer and a systemic importance buffer taken into consideration;

regulatory capital adequacy ratio – 10 per cent;

regulatory capital adequacy ratio with a conservation buffer – in the amount of regulatory capital adequacy ratio increased by the value of a conservation buffer.

The value of a capital conservation buffer equals to 1.875 p.p. (since January 1, 2019 – 2.5 p.p.).

The value of a capital countercyclical buffer is to be determined by the Resolution of the Board of the National Bank in the range of 0 to 2.5 p.p.

The value of a systemic importance buffer totals to:

0.75 p.p. (since January 1, 2019 – 1.5 p.p.) – for banks, non-bank credit and financial institutions ranked as systemically important banks, non-bank credit and financial institutions of the Ist group of importance;

0.5 p.p. (since January 1, 2019 – 1.0 p.p.) – for banks, non-bank credit and financial institutions ranked as systemically important banks, non-bank credit and financial institutions of the IInd group of importance;

A bank, *Development Bank JSC*, a non-bank credit and financial institution are entitled, at their own and sole discretion, determine higher requirements to the regulatory capital adequacy in comparison with those determined hereby based on their own assessment of risks inherent to their activity or potential risks (both taken into account in calculating the regulatory capital adequacy in accordance herewith, and other risks assessed in accordance with the procedure established by them).

CHAPTER 9¹ **LEVERAGE NORM**

59². For the purposes of limitation of excessive use of raised funds, a leverage norm is set for a bank, the *Development Bank JSC* or a non-bank credit and financial institution; the minimal value of this norm must be kept by these entities to be not less than 3 per cent.

59³. The leverage amount shall be calculated as the ratio of the Level I capital, calculated in accordance with Clause 11 of this Instruction, versus the aggregate amount of claims booked

on balance accounts and liabilities booked on off-balance accounts of a bank, the *Development Bank JSC* or a non-bank credit and financial institution (contingent liabilities and liabilities for transactions) prone to risks.

59⁴. The following claims booked on balance accounts of assets shall be included into calculation of the sum of claims prone to risks

money, precious metals and precious stones, amounts in the National Bank and in other banks, non-bank credit and financial institutions, the *Development Bank JSC*, including the amounts in settlements;

indebtedness with regard to credits and other active transactions with clients, with an overdraft also taken into consideration including the amounts in settlements;

securities including those pledged or sold in repurchase transactions;

participation in statutory funds, long-term assets intended for sales, intangible assets, fixed assets, reserves, debtors' indebtedness.

The claims shall be included in calculation at their book value less accrued depreciation. The claims of a bank, the *Development Bank JSC* or a non-bank credit and financial institution with regard to a client (or a counteragent) shall not be subject to offsetting (netting) against the counterclaims of a client (or a counteragent) with regard to a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

59⁵. For calculation of the leverage amount, the contingent liabilities shall be considered including irrevocable, conditionally revocable and unconditionally revocable liabilities for provision of money by opening the lines of crediting or the lines of liquidity, guarantee liabilities, liabilities in letters of credit. Conditional liabilities shall be included in calculation as the equivalent amount calculated as the difference between the amount of a contingent liability and the amount of a reserve formed for it (special reserves for cover of possible losses, other reserves for cover of possible losses formed in accordance with the legislation and (or) the procedure set by a bank, the *Development Bank JSC* or a non-bank credit and financial institution by their own decision), multiplied by the appropriate credit risk equivalent coefficient:

for unconditionally revocable and conditionally revocable liabilities that a bank, the *Development Bank JSC* or a non-bank credit and financial institution may refuse to fulfill in cases when a contract contains provisions for its automatic termination due to worsening of solvency of a counteragent: 0.1;

for other contingent liabilities: 1.0.

59⁶. Liabilities in transactions (with the securities, foreign currency, precious metals, precious stones and other assets as well as derivative instruments where the basic assets are securities, foreign currency, precious metals, precious stones and other assets) shall be included in calculation in accordance with the following procedure:

the amount of a current risk: the amount of an excess of counteragent's liabilities towards a bank, the *Development Bank JSC* or a non-bank credit and financial institution over the liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution towards a counteragent in appropriate transactions;

the amount of a potential risk: the amount of a credit equivalent calculated as the liabilities of counteragents arising towards a bank, the *Development Bank JSC* or a non-bank credit and financial institution in implementation of transactions, multiplied by the credit risk equivalent coefficient defined according to Annex 4.

The calculation shall include liabilities for transactions that are implemented by the parties (or for which the settlement date is set by the parties) not earlier than on the third working day after the conclusion.

The calculation shall not include the sold options and liabilities for transactions concluded at organized trading floors (exchanges) if the related monetary variation margin is paid and received daily.

The residual period of validity of liabilities with regard to the transaction is set in accordance with the period between the date of calculation of an index and the date of fulfillment

of liabilities (or the date of settlement with regard to the liabilities). For transactions with the conditions revised for predefined dates the residual period of validity is set in accordance with the period between the date of calculation of an index and the next revision date.

59⁷. Claims and off-balance sheet liabilities shall be reduced by the amount of reserves formed for them (special reserves for cover of possible losses, other reserves for cover of possible losses formed in accordance with the legislation and (or) the procedure set by a bank, the *Development Bank JSC* or a non-bank credit and financial institution by their own decision) but shall not be reduced by the amount of a collateral obtained for fulfillment of liabilities irrespective of the securing method (including hedging).

59⁸. The amount of claims and off-balance sheet liabilities at risk shall be reduced by the amount of claims deducted from the Level I capital in accordance with Clauses 11 and 13 of this Instruction.

CHAPTER 10 LIQUIDITY NORMS

60. The liquidity is defined by the ability of a bank, *Development Bank JSC*, a non-bank credit and financial institution to provide for timely and full performance of their short-term liabilities due to an adequate amount of highly liquid unencumbered assets, as well as for the correspondence between the stable funding ratio available and the structure of assets and liabilities of a bank, *Development Bank JSC*, a non-bank credit and financial institution.

61. The economical substance of transactions, the provisions of contracts for conducting these transactions and (or) the legislation as well as the expected periods of disposal (return) of assets and fulfillment of liabilities are to be guided by in making an assessment of periods of repayment of assets and return of liabilities.

Should it be impossible to accurately specify time frames for repayment of assets and (or) return of liabilities when calculating the liquidity, the assets shall be reported in accordance with the maximum possible repayment period and the liabilities shall be reported in accordance with the minimum possible return period.

Assets with the repayment (return) period expiry on or before the date specified are reflected in the liquidity calculation in accordance with the period remaining until the date specified by a contract.

Liabilities with the repayment (return) period expiry on or before the date specified are reflected in the liquidity calculation as follows:

in case of availability in contracts and (or) the legislation of 'subject to call' provision (at sight) – with an on-demand period;

if a period for the fulfillment of liabilities or other essential terms specifying this period are envisaged by the contractual provisions and (or) the legislation – based on this period.

Assets and liabilities, with respect to which a deadline for the fulfillment of the obligations is determined by the occurrence (non-occurrence) of a circumstance (event) specified in a contract, shall be reflected in the liquidity calculation with an on-demand period or in accordance with a minimum due date, if such date is stipulated by a relevant contract. If the calendar date of the occurrence (non-occurrence) of a circumstance (event) stipulated in a contract can be clearly specified, the above mentioned assets and liabilities shall be reflected in the liquidity calculation in accordance with a period remaining until the occurrence (non-occurrence) of a corresponding circumstance (event).

Assets and liabilities with the period of repayment (return) on or after the date specified shall be reflected in the liquidity calculation in accordance with the period remaining until the date specified by a contract and (or) by the legislation, after the date specified - in accordance with an on-demand period.

The procedure for calculation of expected periods of disposal (return) of assets, fulfillment of liabilities as well as of application of these periods in the liquidity calculation including the list of reasons for their application, the methodology for calculation of expected periods (including the procedure for application of a reasoned opinion) and the procedure of control over reasonability and adequate use of this methodology (including the follow-up control and remedial actions), the decision-making procedure, distribution of powers and responsibilities shall be determined by a bank, *Development Bank JSC* or a non-bank credit and financial institution at their own discretion.

If a bank, *Development Bank JSC* or a non-bank credit and financial institution applies expected periods of disposal (return) of assets, fulfillment of liabilities in the liquidity calculation, a conservatism concept must be taken into account.

Derivative financial instruments and hedging instruments booked on balance accounts according to fair value are not factored in the calculation of other assets and liabilities.

62. For the purposes of supervision over liquidity situation at a bank or a non-bank credit and financial institution, the following liquidity ratios shall be set for these entities:

Liquidity Coverage Ratio;

Net Stable Funding Ratio.

63. A Net Stable Funding Ratio is set for *Development Bank JSC* for the purpose of supervision over its liquidity situation.

64. A Liquidity Coverage Ratio is intended for the assessment of a bank's, non-bank credit and financial institution's ability to guarantee the amount of highly liquid unencumbered assets at a level sufficient for timely and full fulfillment of liabilities by a bank, non-bank credit and financial institution under stressed conditions followed by considerable strain on liquidity within the next 30 days.

A value of liquidity coverage is calculated as a ratio of highly liquid assets to expected net cash outflow within the next 30 days.

65. Highly liquid assets consist of Level 1 assets and Level 2 assets, which, in their turn, consist of Level 2A and Level 2B assets.

Highly liquid assets do not include non-performing assets of a bank or a non-bank credit and financial institution as well as assets under arrest and (or) under international sanctions.

Highly liquid assets do not include securities for which the following legal entities are issuers, guarantors or sureties:

banks;

non-bank credit and financial institutions;

non-bank financial institutions;

Development Bank JSC;

legal entities capable to exercise significant influence, directly or indirectly (through third parties), on decisions made by the managing bodies of a bank or a non-bank credit and financial institution;

legal entities where the decisions made by their managing bodies can be significantly influenced, directly or indirectly (through third persons), by banks, non-bank credit and financial institutions, non-bank financial institutions, *Development Bank JSC*.

Legal entity's capability to exercise significant influence, directly or indirectly (through third parties), on decisions made by the managing bodies of another legal entity shall be assessed by a bank or a non-bank credit and financial institution in accordance with Article 35 of the Banking Code of the Republic of Belarus.

The requirements specified in the third part of this Clause shall not be applied to the securities for which the issuers, guarantors or sureties are governments or central (national) banks of the Group A countries, international financial institutions or development banks, the Government or the National Bank.

If, in addition to governments or central (national) banks of the Group A countries, international financial institutions or development banks, the Government or the National Bank,

the guarantor or the surety for securities is a legal entity (one of entities) listed in the second – seventh paragraphs of the third part of this Clause, these securities shall not be included in highly liquid assets.

Securities meeting the conditions set by this Clause for identification as highly liquid assets, purchased by a bank or a non-bank credit and financial institution in repo transactions, shall be included into highly liquid assets if they meet the conditions as follows:

securities are owned by the bank or the non-bank credit and financial institution being the purchasers of these securities; and

the terms and conditions of repo transactions and the legislation do not provide for any restrictions for rights of a bank or a non-bank credit and financial institution in terms of pledging or selling the purchased securities to third parties including these operations in repo transactions, before the due date of fulfilment of obligations to return these securities.

The securities identified as highly liquid assets shall be included into highly liquid assets irrespective of the time remaining until their repayment date.

Level 1 assets shall be included into highly liquid assets with the amount equal to 100% of the effective value.

For the purpose of calculation of the liquidity coverage ratio, the following shall be included into the Level 1 assets:

money in cash, precious metals and precious stones;

funds on a correspondent account in the National Bank, on-demand deposits in the National Bank including the funds with the repayment due date on the working day following the day of deposition, funds on the legal reserve account in the National Bank deposited in excess of the amount of the fixed part of reserve requirements as of the date of the liquidity calculation;

securities of governments, central (national) banks of Group A countries, international financial institutions and development banks (except for securities pledged or sold under repo transactions);

securities guaranteed by governments, central (national) banks of Group A countries, international financial institutions and development banks (except for securities pledged or sold under repo transactions);

securities of the Government or the National Bank, nominated in Belarusian Rubles (except for 'Property' personal vouchers, securities prohibited by legislation from circulation at the secondary market and (or) securities pledged or sold under repo transactions);

securities guaranteed by the Government or the National Bank, nominated in Belarusian Rubles (except for securities prohibited by legislation from circulation at the secondary market and (or) securities pledged or sold under repo transactions).

Level 2 assets are included in highly liquid assets with their amount not exceeding 40% of the amount of highly liquid assets.

Level 2A assets are included in highly liquid assets at the rate of 85% of their effective value.

For the purpose of calculation of the liquidity coverage ratio, the following shall be included into the Level 2A assets:

securities of the Government or the National Bank, nominated in foreign currency (except for securities prohibited by legislation from circulation at the secondary market and (or) securities pledged or sold under repo transactions);

securities guaranteed by the Government or the National Bank, nominated in foreign currency (except for securities prohibited by legislation from circulation at the secondary market and (or) securities pledged or sold under repo transactions);

securities of governments or central (national) banks of Group B countries (except for securities pledged or sold under repo transactions);

securities guaranteed by governments or central (national) banks of Group B countries (except for securities pledged or sold under repo transactions);

securities of local government or self-government agencies of Group A countries (except for securities pledged or sold under repo transactions);

securities guaranteed by local government or self-government agencies of Group A countries (except for securities pledged or sold under repo transactions);

debt instruments of legal entities Aaa-to-Aa3 rated (in accordance with Moody's Investors Service Long-Term Rating), AAA-to-AA rated (in accordance with Fitch, Standard & Poor's Long-Term Ratings) (except for securities pledged or sold under repo transactions).

Level 2B assets are included in highly liquid assets at the rate of 50% of their effective value, with their amount not exceeding 15% of the amount of highly liquid assets.

For the purpose of calculation of the liquidity coverage ratio, the Level 2B assets shall include debt instruments of legal entities A1-to-Baa3 rated (in accordance with Moody's Investors Service Long-Term Rating), A+-to-BBB rated (in accordance with Fitch, Standard & Poor's Long-Term Ratings) (except for securities pledged or sold under repo transactions).

If a counteragent has several ratings, the rating assigned in accordance with the approach specified in Clause 23 of this Instruction shall be applied.

66. Expected net cash outflow within the next 30 days is a difference between an expected cash outflow and an expected cash inflow within the next 30 days.

An outflow (inflow) amount includes accrued interest and other expenses (revenues) payable (receivable) within the next 30 days.

An amount of cash inflow is taken into account when calculating a net cash outflow at the rate not exceeding 75% of the amount of cash outflow.

67. Cash outflow shall be determined in relation to liabilities of a bank or a non-bank credit and financial institution booked on balance and off-balance accounts with the expected repayment period not exceeding 30 days, including the liabilities as follows:

payable on demand;

overdue;

with the repayment period longer than 30 days, if the provisions exist making early fulfillment possible for these liabilities.

Liabilities with the repayment period longer than 30 days, with the provisions making their early fulfillment possible, shall be taken into consideration with regard to the part of liabilities that can be fulfilled within 30 days from the settlement date, except for cases listed in the fifth paragraph of Subclause 68.1, Clause 68 of this Instruction.

68. The following liabilities for which corresponding outflow rates are set, are taken into account when calculating an amount of cash outflow:

68.1. raised funds of individuals and individual entrepreneurs:

stable raised funds of individuals – 5 per cent of an effective value. Stable funds include funds of individuals raised under irrevocable bank deposit agreements and funds placed into bank accounts to which a salary and other incomes equivalent to it as well as pensions or other incomes being the forms of social assistance are transferred;

non-stable raised funds of individuals – 10 per cent of an effective value. Non-stable funds include raised funds of individuals that may not be qualified by a bank or a non-bank credit and financial institution as stable ones;

raised funds of individual entrepreneurs – 10 per cent of an effective value.

Bank deposits, loans and other funds of individuals and individual entrepreneurs raised for a term exceeding 30 days, except for funds raised under an irrevocable bank deposit agreement, are taken into account for the calculation purposes if, in case of early termination of an agreement or partial withdrawal of funds as of the settlement date, no reduction in interest rate and (or) liability measures are provided or these measures result in reduction of deposit income yield by less than 50 per cent. In such a case the amount available for withdrawal by an individual or an individual entrepreneur within 30 days after the settlement date shall be considered as funds raised in accordance with on-demand terms irrespective of the term provided for by an agreement;

debt instruments issued by a bank or a non-bank credit and financial institution exclusively for individuals and (or) individual entrepreneurs – 10 per cent of an effective value;

68.2. raised funds of legal entities and other liabilities not secured by pledge of securities:

balances on current (settlement) bank accounts of legal entities – 40 per cent of an effective value;

bank deposits, loans and other raised funds of legal entities – 40 per cent of an effective value;

credits and deposits of the National Bank, credits received from the Government, international financial institutions and development banks, governments, central (national) banks of foreign states, local bodies of governance and self-governance of foreign states, local executive and regulatory bodies of the Republic of Belarus – 40 per cent of an effective value;

other funds on budget and other public accounts – 40 per cent of an effective value;

funds on correspondent accounts of other banks, non-bank credit and financial institutions, *Development Bank JSC* – 100 per cent of an effective value;

balances on current (settlement) bank accounts of non-bank financial institutions – 100 per cent of an effective value;

deposits of other banks, non-bank credit and financial institutions, non-bank financial institutions, *Development Bank JSC*, credit and loans received from other banks, non-bank credit and financial institutions, non-bank financial institutions, *Development Bank JSC* – 100 per cent of an effective value;

unfavorable balance on a correspondent account with a bank, a non-bank credit and financial institution in other banks, non-bank credit and financial institutions, *Development Bank JSC* – 100 per cent of an effective value;

debt instruments issued by a bank, a non-bank credit and financial institution (except for debt instruments issued by a bank, a non-bank credit and financial institution exclusively for individuals and (or) individual entrepreneurs) – 100 per cent of an effective value;

overdue indebtedness of a bank or a non-bank credit and financial institution, including the sums of settlement documents related to transfer of deposits, loans and other raised funds of individuals, individual entrepreneurs and legal entities, which are overdue through a bank's or a non-bank credit and financial institution's fault, money not returned upon the demand of individuals, individual entrepreneurs and legal entities when due or before maturity in cases when a bank or a non-bank credit and financial institution fails to fulfill the provisions of a bank deposit agreement, as well as other outstanding liabilities – 100 per cent of an effective value;

68.2¹. funds obtained from the National Bank and secured by the pledge of securities or guarantee money deposit – 0 per cent of an effective value;

68.2². funds obtained under repo transactions:

funds secured by highly liquid assets – 0 per cent of an effective value;

other funds obtained under repo transactions – 100 per cent of an effective value;

68.3. raised funds secured by pledge of securities or by other performance bonds with the use of securities:

raised funds secured by Level 1 assets – 0 per cent of an effective value;

raised funds secured by Level 2A assets – 15 per cent of an effective value;

funds received from the Government, international development banks, secured by pledge of assets not relating to Level 1 assets or Level 2A assets – 25 per cent of an effective value;

raised funds secured by Level 2B assets – 50 per cent of an effective value;

raised funds secured by pledge of securities or by other performance bonds with the use of securities, except for those mentioned above – 100 per cent of an effective value;

68.3¹. other balance liabilities of a bank or a non-bank credit and financial institution (except for those listed in Subclauses 68.1–68.3 of this Clause) including accrued interest expenses and other expenses with regard to which the outflow is expected within the next 30 days – 100 per cent of an effective value;

68.4. other liabilities of a bank or a non-bank credit and financial institution:

irrevocable and conditional revocable liabilities to individuals and individual entrepreneurs for provision of funds by opening a credit line or a liquidity line – 5 per cent of an effective value;

irrevocable and conditional revocable liabilities to governments, central (national) banks of foreign states, international financial institutions and development banks, local bodies of governance and self-governance of foreign states, the Government, the National Bank, local executive and regulatory bodies of the Republic of Belarus, legal entities for provision of funds by opening a credit line – 10 per cent of an effective value, or through the opening of a liquidity line – 30 per cent of an effective value;

irrevocable and conditional revocable liabilities to other banks, non-bank credit and financial institutions, *Development Bank JSC* for provision of funds by opening a credit line or a liquidity line – 40 per cent of an effective value;

irrevocable and conditional revocable liabilities to non-bank financial institutions for provision of funds by opening a credit line – 40 per cent of an effective value, or through the opening of a liquidity line – 100 per cent of an effective value;

irrevocable and conditional revocable liabilities to other clients (counteragents) for provision of funds by opening a credit line or a liquidity line (except for liabilities listed in paragraphs from second to fifth in this Subclause) – 100 per cent of an effective value;

irrevocable and conditional revocable liabilities under letters of credit such that money were obtained in liability fulfillment currency and (or) freely convertible currency for fulfillment of these liabilities, with this money amount sufficient to fulfill the liability by a bank or a non-bank credit and financial institution, where these liabilities cannot be revoked in accordance with the legislation and (or) contract before the fulfillment of appropriate liabilities under letters of credit by a bank or a non-bank credit and financial institution, as well as irrevocable and conditional revocable liabilities under letters of credit such that the obligation to fulfill these liabilities arises for a bank or a non-bank credit and financial institution only after giving the aforementioned money to them – 0 per cent of an effective value;

irrevocable and conditional revocable liabilities under letters of credit and guarantee liabilities fully secured by money, including guarantee deposits, in liability fulfillment currency and (or) freely convertible currency, where the repayment period is longer than the period for fulfillment of a liability under letter of credit or a guarantee liability, or where the liability fulfillment security contract remains valid until the complete fulfillment of appropriate liability of a client (a counteragent) to the bank or non-bank credit and financial institution, and there are no obstacles for termination of a liability under a letter of credit or a guarantee liability by setting-off of claims with regard to money obtained as a collateral including no provisions in the legislation and (or) fund raising contract making early repayment (reclamation) of funds possible – 0 per cent of an effective value;

irrevocable and conditional revocable liabilities under letters of credit such that money were obtained in liability fulfillment currency and (or) freely convertible currency for fulfillment of these liabilities, but this money amount is insufficient to fulfill the liability of a bank or a non-bank credit and financial institution that cannot be revoked in accordance with the legislation and (or) contract before the fulfillment of appropriate liabilities under letters of credit by a bank or a non-bank credit and financial institution – 50 per cent of an effective value reduced by the amount of money obtained for fulfillment of liabilities;

irrevocable and conditional revocable liabilities under letters of credit not fully secured by money, including guarantee deposits, in liability fulfillment currency and (or) freely convertible currency, where the repayment period is longer than the period for fulfillment of a liability under letter of credit or where the liability fulfillment security contract remains valid until the complete fulfillment of appropriate liability of a client (a counteragent) to the bank or non-bank credit and financial institution, and there are no obstacles for termination of a liability under a letter of credit by setting-off of claims with regard to money obtained as a collateral including no provisions in the legislation and (or) fund raising contract making early repayment (reclamation)

of funds possible – 50 per cent of an effective value reduced by the amount of money obtained as a collateral for fulfillment of liabilities;

other irrevocable and conditional revocable liabilities under letters of credit (except for liabilities under letters of credits listed in seventh – tenth paragraphs of this Subclause) – 50 per cent of an effective value;

irrevocable and conditional revocable guarantee liabilities not fully secured by money, including guarantee deposits, in liability fulfillment currency and (or) freely convertible currency, where the repayment period is longer than the period for fulfillment of a guarantee liability, or where the liability fulfillment security contract remains valid until the complete fulfillment of appropriate liability of a client (a counteragent) to the bank or non-bank credit and financial institution, and there are no obstacles for termination of a guarantee liability by setting-off of claims with regard to money obtained as a collateral including no provisions in the legislation and (or) fund raising contract making early repayment (reclamation) of funds possible – 5 per cent of an effective value reduced by the amount of money obtained as a collateral for fulfillment of liabilities, 100 per cent of an effective value reduced by the amount of money obtained as a collateral for fulfillment of liabilities if the indebtedness and (or) contingent liabilities of an entity, such that the guarantee liabilities are given to secure this entity's liabilities, are qualified by a bank or a non-bank credit and financial institution for risk groups V–VI in accordance with the requirements of the Instruction on the Procedure for Formation and Usage by Banks, *'Development Bank of the Republic of Belarus' Joint-Stock Company* and Non-bank Credit and Financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet;

other irrevocable and conditional revocable guarantee liabilities (except for guarantee liabilities listed in the eighth and twelfth paragraph of this Subclause) – 5 per cent of an effective value, 100 per cent of an effective value if the indebtedness and (or) contingent liabilities of an entity, such that the guarantee liabilities are given to secure this entity's liabilities, are qualified by a bank or a non-bank credit and financial institution for risk groups V–VI in accordance with the requirements of the Instruction on the Procedure for Formation and Usage by Banks, *'Development Bank of the Republic of Belarus' Joint-Stock Company* and Non-bank Credit and Financial Institutions of Special Reserves for Cover of Possible Losses in Assets and Transactions Not Booked in the Balance Sheet;

unconditional revocable liabilities – 0 per cent of an effective value;

surplus of off-balance liabilities of a bank or a non-bank credit and financial institution to a counteragent in transactions (with the securities, foreign currency, precious metals, precious stones and other assets as well as derivative financial instruments where the basic assets are securities, foreign currency, precious metals, precious stones and other assets), not involving the delivery of the basic asset, over a counteragent's liabilities to a bank or a non-bank credit and financial institution in appropriate transactions – 100 per cent of an effective value;

off-balance liabilities of a bank or a non-bank credit and financial institution to a counteragent in transactions (with the securities, foreign currency, precious metals, precious stones and other assets as well as derivative financial instruments where the basic assets are securities, foreign currency, precious metals, precious stones and other assets) involving the delivery of the basic asset – 100 per cent of an effective value;

other off-balance liabilities of a bank or a non-bank credit and financial institution that are expected to be affected by outflow within the next 30 days – 100 per cent of an effective value;

liabilities for maintaining the amount of the averaged-value part of reserve requirements, as prescribed by the National Bank for a bank or a non-bank credit and financial institution, on a correspondent account in the National Bank during the period of fulfillment of reserve requirements – 100 per cent of a required value.

69. Cash inflow is determined with respect to bank's, non-bank credit and financial institution's requirements booked on balance and off-balance accounts (hereinafter referred to in

this chapter as “the requirements”), with regard to which an inflow is expected within the next 30 days, including on on-demand basis.

The following shall not be included into the inflow amount:

assets meeting the conditions set in Clause 65 of this Instruction for qualification as highly liquid assets;

clients’ (counterparties’) overdue loan indebtedness and other indebtedness;

non-performing assets of a bank or a non-bank credit and financial institution;

assets under arrest and (or) assets affected by international sanctions applied (imposed);

securities purchased in repo transactions.

70. The following requirements are taken into account when calculating an amount of cash inflow, for which corresponding inflow coefficients are set:

70.1. invested funds secured by pledge of securities or by other performance bonds with the use of securities:

invested funds secured by Level 1 assets – 0 per cent of an effective value;

invested funds secured by Level 2A assets – 15 per cent of an effective value;

invested funds secured by Level 2B assets – 50 per cent of an effective value;

invested funds secured by pledge of other securities or by other performance bonds with the use of securities, except for those mentioned above – 100 per cent of an effective value;

70.1¹. funds transferred in repo transactions:

funds secured by highly liquid assets – 0 per cent of an effective value;

other funds transferred in repo transactions – 100 per cent of an effective value;

70.2. invested funds not secured by pledge of securities or by other performance bonds using the securities:

funds in the National Bank, central (national) banks of foreign states, banks of foreign states, banks, non-bank credit and financial institutions, *Development Bank JSC* – 100 per cent of an effective value;

credit indebtedness, indebtedness under loans granted, other balance requirements to non-bank financial institutions – 100 per cent of an effective value;

funds in international financial institutions and development banks – 50 per cent of an effective value;

credit indebtedness, indebtedness under loans granted, other balance requirements to the republican state administration bodies, local executive and regulatory bodies of the Republic of Belarus – 50 per cent of an effective value;

credit indebtedness, indebtedness under loans granted, other balance requirements to local governance and self-governance bodies of foreign states – 50 per cent of an effective value;

credit indebtedness, indebtedness under loans granted, other balance requirements to individuals, individual entrepreneurs, legal entities – 50 per cent of an effective value;

securities of the Government and the National Bank non-marketable by virtue of law, ‘Property’ personal vouchers – 100 per cent of an effective value;

other securities non-marketable by virtue of law – 100 per cent of an effective value;

pledged securities – 0 per cent of an effective value;

securities sold under repo transactions and meeting, before the sale transaction, the conditions set in Clause 65 of this Instruction for qualification as highly liquid assets – 0 per cent of an effective value;

other securities sold under repo transactions – 100 per cent of an effective value;

other securities (except for those listed in eighth – twelfth paragraphs of this Clause) – 100 per cent of an effective value;

70.2¹. other balance requirements of a bank or a non-bank credit and financial institution (except for those listed in Subclauses 70.1, 70.1¹ and 70.2 of this Clause, including accrued interest revenues and other revenues) with regard to which the inflow is expected within the next 30 days – 100 per cent of an effective value;

70.3. other requirements of a bank or a non-bank credit and financial institution:

irrevocable, conditional revocable and unconditional revocable liabilities received by a bank or a non-bank credit and financial institution for the provision of monetary funds by opening a credit line or a liquidity line – 0 per cent of an effective value;

guarantee liabilities or liabilities in letters of credit received by a bank or a non-bank credit and financial institution – 0 per cent of an effective value;

surplus of off-balance liabilities of a counteragent to a bank or a non-bank credit and financial institution in transactions (with the securities, foreign currency, precious metals, precious stones and other assets as well as derivative financial instruments where the basic assets are securities, foreign currency, precious metals, precious stones and other assets), not involving the delivery of the basic asset, over the liabilities of a bank or a non-bank credit and financial institution to a counteragent in appropriate transactions – 100 per cent of an effective value;

off-balance liabilities of a counteragent to a bank or a non-bank credit and financial institution in transactions (with the securities, foreign currency, precious metals, precious stones and other assets as well as derivative financial instruments where the basic assets are securities, foreign currency, precious metals, precious stones and other assets), involving the delivery of the basic asset – 100 per cent of an effective value;

other off-balance requirements of a bank or a non-bank credit and financial institution for which the inflow is expected within the next 30 days – 100 per cent of an effective value.

71. A minimum permissible value of a liquidity coverage ratio is set at the rate of 100 per cent.

72. A Net Stable Funding Ratio is intended for the assessment of an ability of a bank, *Development Bank JSC*, a non-bank credit and financial institution to ensure compliance of a stable funding value with the asset and transaction liquidity structure of a bank, *Development Bank JSC*, a non-bank credit and financial institution in order to limit a risk of funding shortage in the mid-run and in the long run (less than 1 year and more).

A Net Stable Funding Value is calculated as a correlation between the available volume of stable funding and the required one.

Assets shall be taken into consideration for calculation in accordance with their values recorded in the bookkeeping data, less accrued depreciation amounts. Assets and out-of-balance liabilities shall be reduced by the amounts of special reserves for cover of possible losses formed for them and other reserves for possible losses formed in accordance with the legislation and (or) the procedure established independently by a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

73. For the purpose of calculating a Net Stable Funding Value the available volume of stable funding includes:

73.1. regulatory capital calculated in accordance with clauses 11 and 12 hereof:

Common Equity Tier 1 Capital prior to decreasing by amounts as provided for by clause 11 hereof, less the amount of losses of past years – 100 per cent of an effective value;

Additional Tier 1 Capital prior to decreasing by amounts as provided for by clause 11 hereof – 100 per cent of an effective value;

Tier II Capital prior to decreasing by amounts as provided for by clause 12 hereof, less the amount of losses of a current year and a raised subordinate loan with a period of full return (repayment) less than 1 year – 100 per cent of an effective value;

73.2. raised subordinate loan included in the calculation of Tier II Capital in the amount exceeding 50 per cent of the amount of Common Equity Tier 1 Capital, with a period of full return (repayment) 1 year and more – 100 per cent of an effective value;

73.3. raised funds of individuals and individual entrepreneurs:

stable raised funds of individuals with a repayment period of 1 year and more – 100 per cent of an effective value, with a repayment period of less than 1 year – 95 per cent of an effective value;

non-stable raised funds of individuals with a repayment period of 1 year and more – 100 per cent of an effective value, with a repayment period of less than 1 year – 90 per cent of an effective value;

raised funds of individual entrepreneurs with a repayment period of 1 year and more – 100 per cent of an effective value, with a repayment period of less than 1 year – 90 per cent of an effective value;

73.4. raised funds of legal entities:

bank deposits, loans and other raised funds of legal entities with a repayment period of 1 year and more – 100 per cent of an effective value, with a repayment period of less than 1 year – 50 per cent of an effective value;

balances on current (settlement) bank accounts of legal entities – 50 per cent of an effective value;

73.5. credits received from the Government, governments of foreign states, local bodies of governance and self-governance of foreign states, local executive and regulatory bodies of the Republic of Belarus, international financial institutions and development banks, credits and deposits of *Development Bank JSC* with a repayment period of 1 year and more – 100 per cent of an effective value, with a repayment period of less than 1 year – 50 per cent of an effective value;

73.6. other funds on budget and other public accounts with a repayment period of 1 year and more – 100 per cent of an effective value, with a repayment period of less than 1 year – 50 per cent of an effective value;

73.7. credits and deposits of the National Bank, credits and loans received from central (national) banks of foreign states, other banks, non-bank credit and financial institutions, non-bank financial institutions, deposits of other banks, non-bank credit and financial institutions, non-bank financial institutions with a repayment period of 1 year and more – 100 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of less than 6 months – 0 per cent of an effective value;

73.8. funds on correspondent accounts of other banks, non-bank credit and financial institutions, *Development Bank JSC* – 0 per cent of an effective value;

73.8¹. balances on current (settlement) bank accounts of non-bank financial institutions – 0 per cent of an effective value;

73.9. unfavourable balance on a correspondent account of a bank, *Development Bank JSC*, a non-bank credit and financial institution with other banks, non-bank credit and financial institutions, *Development Bank JSC* – 0 per cent of an effective value;

73.10. debt instruments issued by a bank, *Development Bank JSC*, a non-bank credit and financial institution with a repayment period of 1 year and more – 100 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of less than 6 months – 0 per cent of an effective value;

73.10¹. overdue indebtedness of a bank, *Development Bank JSC* or a non-bank credit and financial institution, including the sums of settlement documents related to transfer of bank deposits, loans and other raised funds of individuals, individual entrepreneurs and legal entities, which are overdue through the fault of a bank, *Development Bank JSC* or a non-bank credit and financial institution, money amounts not returned upon the demand of individuals, individual entrepreneurs and legal entities when due or before maturity in cases when a bank, *Development Bank JSC* or a non-bank credit and financial institution fails to fulfill the provisions of a bank deposit agreement, as well as other outstanding liabilities, irrespective of the maturity date – 0 per cent of an effective value;

73.11. deferred tax liabilities with a repayment period of 1 year and more – 100 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of less than 6 months – 0 per cent of an effective value;

73.12. other balance liabilities (except for liabilities listed in Subclauses 73.1–73.11 of this Clause) with a repayment period of 1 year and more – 100 per cent of an effective value, with a

repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of less than 6 months – 0 per cent of an effective value;

73.13. other liabilities to a bank, *Development Bank JSC* or a non-bank credit and financial institution:

received liabilities for provision of funds to a bank, *Development Bank JSC* or a non-bank credit and financial institution by opening a credit line or a liquidity line, irrespective of a maturity date – 0 per cent of an effective value;

guarantee liabilities and liabilities under letters of credit received by a bank, *Development Bank JSC* or a non-bank credit and financial institution, irrespective of a maturity date – 0 per cent of an effective value;

73.14. other liabilities of a bank, *Development Bank JSC* or a non-bank credit and financial institution:

surplus of off-balance liabilities of a bank, *Development Bank JSC* or a non-bank credit and financial institution to a counteragent in transactions (with the securities, foreign currency, precious metals, precious stones and other assets as well as derivative financial instruments where the basic assets are securities, foreign currency, precious metals, precious stones and other assets), not involving the delivery of the basic asset, over a counteragent's liabilities to a bank, *Development Bank JSC* or a non-bank credit and financial institution in appropriate transactions – 0 per cent of an effective value;

off-balance liabilities of a bank, *Development Bank JSC* or a non-bank credit and financial institution to a counteragent in transactions (with the securities, foreign currency, precious metals, precious stones and other assets as well as derivative financial instruments where the basic assets are securities, foreign currency, precious metals, precious stones and other assets), involving the delivery of the basic asset – 0 per cent of an effective value.

74. For the purpose of calculating a Net Stable Funding Value the required volume of stable funding includes:

74.1. disposable funds – 0 per cent of an effective value;

74.2. precious metals (including gold), precious stones – 85 per cent of an effective value;

74.3. funds deposited in an account of the Legal Reserve with the National Bank, including those deposited in excess of an amount of a fixed part of reserve requirements as of the date of the liquidity calculation – 0 per cent of an effective value;

74.4. funds at the National Bank with a repayment period of less than 6 months – 0 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.5. funds at central (national) banks of foreign states with a repayment period of less than 6 months – 0 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.6. funds at international financial institutions and development banks with a repayment period of less than 6 months, secured by Level I assets – 10 per cent of an effective value, with a repayment period of less than 6 months, not secured by Level I assets – 15 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.7. funds in banks, non-bank credit and financial institutions, *Development Bank JSC* with a repayment period of less than 6 months, secured by Level I assets – 10 per cent of an effective value, with a repayment period of less than 6 months, not secured by Level I assets – 15 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.8. credit indebtedness, indebtedness under loans granted, other balance requirements to non-bank financial institutions with a repayment period of less than 6 months, secured by Level I assets – 10 per cent of an effective value, with a repayment period of less than 6 months, not

secured by Level I assets – 15 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.8¹. credit indebtedness, indebtedness under loans granted, other balance requirements to the republican state administration bodies, local executive and regulatory bodies of the Republic of Belarus with a repayment period of less than 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 85 per cent of an effective value;

74.8². credit indebtedness, indebtedness under loans granted, other balance requirements to local bodies of governance and self-governance of foreign states with a repayment period of less than 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 85 per cent of an effective value;

74.9. legal entities' credit indebtedness, indebtedness under loans granted, other balance requirements to legal entities with a repayment period of less than 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 85 per cent of an effective value;

74.10. individual entrepreneurs' credit indebtedness, indebtedness under loans granted, other balance requirements to individual entrepreneurs with a repayment period of less than 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 85 per cent of an effective value;

74.11. credit indebtedness formed as a result of granting credits to individuals for construction (purchase) of housing fully secured by pledge of housing for which these individuals are owners, by transfer of title to this housing, by pledge of proprietary rights of these individuals to housing under construction (to be purchased), or by transfer of title to these proprietary rights, with a repayment period of less than 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 65 per cent of an effective value;

74.12. credit indebtedness of individuals (except for credit indebtedness referred to in Subclause 74.11 of this Clause), indebtedness of individuals under loans granted (except for loans such that the normative capital was reduced by the sum of these loans in accordance with the ninth part of Clause 12 of this Instruction), other balance requirements to individuals with a repayment period of less than 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 85 per cent of an effective value;

74.13. securities of governments, central (national) banks of Group “A” countries, international financial institutions and development banks (except for securities pledged or sold under repo transactions) – 5 per cent of an effective value;

74.14. securities guaranteed by governments, central (national) banks of Group “A” countries, international financial institutions and development banks (except for securities pledged or sold under repo transactions) – 5 per cent of an effective value;

74.15. Belarusian ruble-denominated securities of the Government, the National Bank (except for ‘Property’ personal vouchers, non-marketable securities by virtue of law and (or) securities pledged or sold under repo transactions) – 5 per cent of an effective value;

74.15¹. securities guaranteed by the Government or the National Bank, denominated in Belarusian Rubles (except for securities non-marketable by virtue of law and (or) securities pledged or sold under repo transactions) – 5 per cent of an effective value;

74.16. securities of the Government, the National Bank nominated in a foreign currency (except for non-marketable securities by virtue of law and (or) securities pledged or sold under repo transactions) – 15 per cent of an effective value;

74.16¹. securities guaranteed by the Government or the National Bank, denominated in foreign currency (except for securities non-marketable by virtue of law and (or) securities pledged or sold under repo transactions) – 15 per cent of an effective value;

74.17. securities of governments, central (national) banks of Group “B” countries (except for securities pledged or sold under repo transactions) – 15 per cent of an effective value;

74.18. securities guaranteed by governments, central (national) banks of Group “B” countries (except for securities pledged or sold under repo transactions) – 15 per cent of an effective value;

74.19. securities of local bodies of governance and self-governance of Group “A” countries (except for securities pledged or sold under repo transactions) – 15 per cent of an effective value;

74.20. securities guaranteed by local bodies of governance and self-governance of Group “A” countries (except for securities pledged or sold under repo transactions) – 15 per cent of an effective value;

74.21. debt instruments of legal entities having at least a long-term Aa3 (AA–) rating (except for securities pledged or sold under repo transactions) – 15 per cent of an effective value;

74.22. debt instruments of legal entities having a long-term A1 to Baa3 (A+ to BBB–) rating (except for securities pledged or sold under repo transactions) – 50 per cent of an effective value;

74.23. ordinary shares of legal entities listed on organized trading facilities (stock exchanges) (except for securities pledged or sold under repo transactions) – 50 per cent of an effective value;

74.24. other securities (except for non-marketable securities by virtue of law and (or) securities pledged or sold under repo transactions) with a repayment period of less than 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 85 per cent of an effective value;

74.25. securities of governments, central (national) banks of Group “A” countries, international financial institutions and development banks, pledged or sold under repo transactions, with a repayment period of less than 6 months – 5 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.26. securities guaranteed by governments, central (national) banks of Group “A” countries, international financial institutions and development banks, pledged or sold under repo transactions, with a repayment period of less than 6 months – 5 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.27. Belarusian ruble-denominated securities of the Government, the National Bank, non-marketable by virtue of law and (or) securities pledged or sold under repo transactions, ‘Property’ personal vouchers, with a repayment period of less than 6 months – 5 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.27¹. securities guaranteed by the Government or the National Bank, denominated in Belarusian Rubles, non-marketable by virtue of law and (or) securities pledged or sold under repo transactions, with a repayment period of less than 6 months – 5 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.28. securities of the Government, the National Bank nominated in a foreign currency, non-marketable by virtue of law, securities pledged or sold under repo transactions, with a repayment period of less than 6 months – 15 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.28¹. securities guaranteed by the Government or the National Bank, denominated in foreign currency, non-marketable by virtue of law and (or) securities pledged or sold under repo transactions, with a repayment period of less than 6 months – 15 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.29. securities of governments, central (national) banks of Group “B” countries, pledged or sold under repo transactions, with a repayment period of less than 6 months – 15 per cent of

an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.30. securities guaranteed by governments, central (national) banks of Group “B” countries, pledged or sold under repo transactions, with a repayment period of less than 6 months – 15 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.31. securities of local bodies of governance and self-governance of Group “A” countries, pledged or sold under repo transactions, with a repayment period of less than 6 months – 15 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.32. securities guaranteed by local bodies of governance and self-governance of Group “A” countries, pledged or sold under repo transactions, with a repayment period of less than 6 months – 15 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.33. debt instruments of legal entities having at least a long-term Aa3 (AA–) rating, pledged or sold under repo transactions, with a repayment period of less than 6 months – 15 per cent of an effective value, with a repayment period of 6 months up to 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.34. debt instruments of legal entities having a long-term A1 to Baa3 (A+ to BBB–) rating, pledged or sold under repo transactions, with a repayment period of less than 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.35. other securities non-marketable by virtue of law and (or) securities pledged or sold under repo transactions, with a repayment period of less than 1 year – 50 per cent of an effective value, with a repayment period of 1 year and more – 100 per cent of an effective value;

74.36. goods – 85 per cent of an effective value;

74.37. other balance requirements (except for requirements listed in Subclauses 74.1–74.36 of this Clause) including buildings, constructions, other fixed assets, inventories, income-bearing investments in tangible assets, indebtedness resulting from advancing, payment in advance, deferment of payment (payment by installments) for goods, works or services (commercial loan), non-listed shares, overdue credit indebtedness and other indebtedness of clients (counteragents), assets such that the normative capital was reduced by the amount of these assets in accordance with the third and fifth part of Clause 11 and the ninth part of Clause 12 of this Instruction (except for an amount of losses of past years and of a current year) – 100 per cent of an effective value;

74.38. other requirements to a bank, *Development Bank JSC*, a non-bank credit and financial institution:

irrevocable and conditional revocable liabilities to individuals, individual entrepreneurs, legal entities, governments, central (national) banks of foreign states, international financial institutions and development banks, local bodies of governance and self-governance of foreign states, the Government, the National Bank, local executive and regulatory bodies of the Republic of Belarus, banks, non-bank credit and financial institutions, non-bank financial institutions, *Development Bank JSC*, for provision of money funds by opening a credit line or a liquidity line irrespective of a period for fulfillment of these liabilities – 5 per cent of an effective value;

irrevocable and conditional revocable liabilities under letters of credit such that money were obtained in liability fulfillment currency and (or) freely convertible currency for fulfillment of these liabilities, with this money amount sufficient to fulfill the liability of a bank, *Development Bank JSC* or a non-bank credit and financial institution, where these liabilities cannot be revoked in accordance with the legislation and (or) contract before the fulfillment of

appropriate liabilities under letters of credit by a bank, *Development Bank JSC* or a non-bank credit and financial institution, as well as irrevocable and conditional revocable liabilities under letters of credit such that the obligation to fulfill these liabilities arises for a bank, *Development Bank JSC* or a non-bank credit and financial institution only after giving the aforementioned money to them, irrespective of a period for fulfillment of these liabilities – 0 per cent of an effective value;

irrevocable and conditional revocable liabilities under letters of credit and guarantee liabilities fully secured by money, including guarantee deposits, in liability fulfillment currency and (or) freely convertible currency, where the repayment period is longer than the period for fulfillment of a liability under letter of credit or a guarantee liability, or where the liability fulfillment security contract remains valid until the complete fulfillment of appropriate liability of a client to a bank, *Development Bank JSC* or a non-bank credit and financial institution, and there are no obstacles for termination of a liability under a letter of credit or a guarantee liability by setting-off of claims with regard to money obtained as a collateral including no provisions in the legislation and (or) fund raising contract making early repayment (reclamation) of funds possible, irrespective of a period for fulfillment of these liabilities – 0 per cent of an effective value;

irrevocable and conditional revocable liabilities under letters of credit such that money were obtained in liability fulfillment currency and (or) freely convertible currency for fulfillment of these liabilities, but this money amount is insufficient to fulfill the liability of a bank, *Development Bank JSC* or a non-bank credit and financial institution that cannot be revoked in accordance with the legislation and (or) contract before the fulfillment of appropriate liabilities under letters of credit by a bank, *Development Bank JSC* or a non-bank credit and financial institution, with the period for fulfillment of these liabilities less than 6 months – 5 per cent of an effective value reduced by the amount of money obtained for fulfillment of liabilities; with the period for fulfillment of these liabilities from 6 months to 1 year – 10 per cent of an effective value reduced by the amount of money obtained for fulfillment of liabilities; with the period for fulfillment of these liabilities 1 year and more – 15 per cent of an effective value reduced by the amount of money obtained for fulfillment of liabilities;

irrevocable and conditional revocable liabilities under letters of credit and guarantee liabilities not fully secured by money, including guarantee deposits, in liability fulfillment currency and (or) freely convertible currency, where the repayment period is longer than the period for fulfillment of a liability under letter of credit or a guarantee liability, or where the liability fulfillment security contract remains valid until the complete fulfillment of appropriate liability of a client (a counteragent) to a bank, *Development Bank JSC* or non-bank credit and financial institution, and there are no obstacles for termination of a liability under a letter of credit or a guarantee liability by setting-off of claims with regard to money obtained as a collateral including no provisions in the legislation and (or) fund raising contract making early repayment (reclamation) of funds possible, with the period for fulfillment of these liabilities less than 6 months – 5 per cent of an effective value reduced by the amount of money obtained as a collateral for fulfillment of liabilities; with the period for fulfillment of these liabilities from 6 months to 1 year – 10 per cent of an effective value reduced by the amount of money obtained as a collateral for fulfillment of liabilities; with the period for fulfillment of these liabilities 1 year and more – 15 per cent of an effective value reduced by the amount of money obtained as a collateral for fulfillment of liabilities;

other irrevocable and conditional revocable liabilities under letters of credit and guarantee liabilities (except for liabilities under letters of credits and guarantee liabilities listed in third – sixth paragraphs of this Subclause), with the period for their fulfillment less than 6 months – 5 per cent of an effective value; with the period for their fulfillment from 6 months to 1 year – 10 per cent of an effective value; with the period for their fulfillment 1 year and more – 15 per cent of an effective value;

unconditional revocable liabilities, irrespective of a period for their fulfillment – 0 per cent of an effective value;

74.39. other requirements of a bank, *Development Bank JSC* or a non-bank credit and financial institution:

surplus of off-balance liabilities of a counteragent to a bank, *Development Bank JSC* or a non-bank credit and financial institution in transactions (with the securities, foreign currency, precious metals, precious stones and other assets as well as derivative financial instruments where the basic assets are securities, foreign currency, precious metals, precious stones and other assets), not involving the delivery of the basic asset, over the liabilities of a bank, *Development Bank JSC* or a non-bank credit and financial institution to a counteragent in appropriate transactions – 0 per cent of an effective value;

off-balance liabilities of a counteragent to a bank, *Development Bank JSC* or a non-bank credit and financial institution in transactions (with the securities, foreign currency, precious metals, precious stones and other assets as well as derivative financial instruments where the basic assets are securities, foreign currency, precious metals, precious stones and other assets), involving the delivery of the basic asset – 0 per cent of an effective value.

75. A minimum permissible value of a Net Stable Funding Ratio is set at the rate of 100 per cent.

CHAPTER 11

RISK CONCENTRATION LIMITATION NORMS

78. For a bank or a non-bank credit and financial institution, the following risk concentration limitation norms shall be set:

the norm of maximum amount of risk per debtor (or a group of interrelated debtors);

the norm of aggregate amount of major risks;

the norm of maximum amount of risk per insider – a natural person and interrelated natural persons;

the norm of maximum amount of risk per insider – a natural person and interrelated legal entities;

the norm of maximum amount of risk per insider – a legal entity and interrelated entities;

the norm of aggregate amount of risks with regard to insiders – legal entities and interrelated entities and with regard to insiders – natural persons and interrelated legal entities;

the norm of aggregate amount of risks with regard to insiders – natural persons and interrelated natural persons;

the norm of maximum amount of risk for funds placed in countries not included into the Group A.

78¹. For the *Development Bank JSC*, the norm of aggregate amount of major risks shall be set.

79. The limitation of an amount of risk per debtor or a group of interrelated debtors shall be set to reduce possible losses in cases when the funds invested into risky transactions are not returned in due time and in full.

For the purposes of supervision for meeting the specified risk concentration limitation norms, the risks with regard to interrelated debtors shall be controlled for the group as a whole. No control shall be carried out separately by debtors within a group.

80. The maximum amount of risk per debtor (or a group of interrelated debtors) (hereinafter referred to as a debtor) is a percentage ratio of the aggregate amount of claims of a bank, the *Development Bank JSC* or a non-bank credit and financial institution towards a debtor versus a normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

81. The aggregate amount of claims for calculation of the amount of risk per debtor shall include:

for banks, non-bank credit and financial institutions, the *Development Bank JSC* – the sum of credits and other monetary liabilities of a counteragent (another bank, non-bank credit and financial institution or the *Development Bank JSC*) towards a bank, the *Development Bank JSC* or a non-bank credit and financial institution, as well as a credit equivalent for off-balance sheet liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution towards this counteragent, with the fulfillment provided for in monetary form;

for other debtors (except for banks, non-bank credit and financial institutions and the *Development Bank JSC*) – the sum of credits and other monetary liabilities of a debtor including the indebtedness with regard to the loans provided, the investments into the securities (except for shares), overdue indebtedness with regard to the aforementioned claims as well as a credit equivalent for off-balance sheet liabilities of a bank, the *Development Bank JSC* or a non-bank credit and financial institution towards this debtor, with the fulfillment provided for in monetary form.

For the purposes of calculation of the aggregate amount of claims, the credit equivalent of contingent liabilities and the credit equivalent of liabilities for transactions (transactions with currency, with the securities etc.) calculated by weighting the amount of an off-balance sheet liability (not considering the formed special reserves for cover of possible losses) by appropriate credit risk equivalent coefficient set in accordance with Clauses 25 and 26 of this Instruction shall be included into the credit equivalent for off-balance sheet liabilities.

For transactions with the securities at the secondary market, the book value of a security shall be included into the aggregate amount of claims towards the security issuer, and the credit equivalent for off-balance sheet liabilities shall be included into the aggregate amount of claims towards the contractual counteragent.

For factoring contracts, irrespective of payment terms and conditions, a factor (a bank, the *Development Bank JSC* or a non-bank credit and financial institution) shall calculate the credit risk:

for the notification factoring, with regard to a debtor;

for the hidden factoring, with regard to a creditor.

82. For calculation of the amount of risk per debtor, the following shall not be included into the aggregate amount of claims towards a debtor:

claims with regard to the assets qualified for Group I in accordance with Clauses 20 and 21 of this Instruction;

securities of the Government or the National Bank, denominated in foreign currency, with the amount of 90 per cent of the sum of claims;

funds in Group A banks, with the amount of 80 per cent of the sum of claims;

contingent liabilities with regard to the National Bank or republican governmental administration agencies in Belarusian Rubles, with regard to the central (national) banks of Group A countries, international financial institutions and development banks;

contingent liabilities in Belarusian Rubles, secured by guarantees of the Government, of the National Bank, pledge of securities of the Government or the National Bank, denominated in Belarusian Rubles, or by other means for securing of obligations using these securities;

contingent liabilities secured by guarantees or suretyships of governments, central (national) banks of Group A countries, international financial institutions and development banks; guarantee money deposits in Belarusian Rubles (for contingent liabilities in Belarusian Rubles), in limited-convertibility foreign currency (if the guarantee deposit currency is the same as the contingent liability currency), in freely convertible currency; pledge of securities of governments, central (national) banks of Group A countries, international financial institutions and development banks, other means for securing of obligations using these securities.

For non-inclusion of contingent liabilities secured by guarantees (suretyships) into the aggregate amount of claims towards a debtor, payment reception from the guarantor must be unconditional and must be carried out irrespective of implementation of preliminary legal procedures by a bank, the *Development Bank JSC* or a non-bank credit and financial institution

except for submission of payment requests for debtor's accounts in order to collect the indebtedness or sending a notification to the debtor for the debt repayment.

For calculation of the amount of risk per debtor, contingent liabilities secured by guarantees (or suretyships) and not meeting the aforementioned requirements shall be included into the aggregate amount of claims towards a debtor with the amount of a credit equivalent for appropriate contingent liabilities.

As for encumbered assets, if information is available about the entities such that, as a result of fulfillment or non-fulfillment of liabilities by them, a counteragent or third parties, in accordance with the provisions of transactions concluded by a bank, the *Development Bank JSC* or a non-bank credit and financial institution, in cases and in accordance with the procedure stipulated by concluded transactions, will obtain a right to alienate the appropriate assets without the consent of a bank, the *Development Bank JSC* or a non-bank credit and financial institution (except for cases when payment (remuneration, commission) is collected for services rendered in accordance with the contract for allocation of the appropriate asset as well as cases when the right to alienate the assets without the consent of a bank, the *Development Bank JSC* or a non-bank credit and financial institution arises due to non-fulfillment of own liabilities by a bank, the *Development Bank JSC* or a non-bank credit and financial institution towards a counteragent), these encumbered assets shall be included into the aggregate amount of claims towards these entities for the purposes of calculation of the amount of risk per debtor. If there is no aforementioned information, and in cases when the right to alienate the assets without the consent of a bank, the *Development Bank JSC* or a non-bank credit and financial institution arises due to non-fulfillment of own liabilities by a bank, the *Development Bank JSC* or a non-bank credit and financial institution towards a counteragent, encumbered assets shall be included into the aggregate amount of claims towards a debtor for the purposes of calculation of the amount of risk per debtor.

83. The maximum amount of risk per debtor must never exceed 25 per cent of the normative capital of a bank or a non-bank credit and financial institution.

If a group of interrelated debtors includes the insider(s) of a bank or a non-bank credit and financial institution, the maximum amount of risk per debtor must not exceed the value set in Clause 90 of this Instruction.

84. If the amount of risk per debtor exceeds 10 per cent of the normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution, this risk shall be considered as the major risk.

The fact of a major risk occurrence is an implementation of transaction(s) by a bank, the *Development Bank JSC* or a non-bank credit and financial institution resulting in aggregated sum of claims towards a debtor, calculated in accordance with Clauses 81–82 of this Instruction, exceeding 10 per cent of the normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

85. The norm of aggregate amount of major risks is a ratio of the aggregate sum of major risks versus the normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

The aggregate amount of major risks of a bank or a non-bank credit and financial institution must not exceed the sixfold amount of the normative capital of a bank or a non-bank credit and financial institution.

The aggregate amount of major risks of the *Development Bank JSC* must not exceed the eightfold amount of the normative capital the *Development Bank JSC*.

86. The decision to implement a transaction involving major risk occurrence shall be made by an authorized body or an official of a bank, the *Development Bank JSC* or a non-bank credit and financial institution.

87. If the consortial crediting is used, the maximum amount of risk for a debtor (a borrower) shall be calculated by an agent bank (or an agent non-bank credit and financial institution, or the *Development Bank JSC* acting as a agent) (hereinafter referred to as an agent

bank) and each participant bank (or a participant non-bank credit and financial institution, or the *Development Bank JSC* acting as a participant) in accordance with the following procedure.

The participant bank shall include the amount of money provided by it and the equivalent of off-balance sheet liabilities (hereinafter referred to as the portion) into the aggregate amount of claims towards a debtor (a borrower), and the agent bank shall not include, within the appropriate part, the claims and liabilities in contracts concluded with a debtor (a borrower) and participant banks into calculation of risk concentration limitation norms if these claims and liabilities meet the requirements listed in Subclause 2.21, Clause 2 of this Instruction, for the purpose of their recognition as interrelated claims and liabilities. In such a case, the agent bank shall calculate the risk with regard to a debtor only within the bank's portion in a consortial credit.

If the claims and liabilities in contracts concluded with a debtor (a borrower) and participant banks do not meet the requirements listed in Subclause 2.21, Clause 2 of this Instruction for recognition as interrelated claims and liabilities, the participant bank shall include its portion in a consortial credit into calculation of the aggregate amount of claims towards an agent bank. The agent bank, in such a case, shall calculate the risk amount with regard to a debtor (a borrower), with its participation portion and the participant banks' portions included into the aggregate amount of claims towards a debtor (a borrower).

If the resources are provided and (or) liabilities are given by a bank, the *Development Bank JSC* or a non-bank credit and financial institution, and if they are obtained by a bank, the *Development Bank JSC* or a non-bank credit and financial institution in order to credit a debtor with a consortial contract not concluded, a bank, the *Development Bank JSC* or a non-bank credit and financial institution shall calculate risk in accordance with the procedure specified in this Clause.

In case of crediting within the scope of a syndicated contract, participant banks shall calculate the risks with regard to a debtor (a borrower) in accordance with the amount of money provided by them and the equivalent of off-balance sheet liabilities.

88. The maximum risk amount per insider and interrelated entities shall be set as a percentage ratio of the aggregate amount of claims towards an insider and interrelated entities as defined in Clauses 81–82 of this Instruction versus the normative capital of a bank or a non-bank credit and financial institution.

89. Withdrawn.

90. The maximum amount of risk per insider – a natural person (except for an individual entrepreneur) and interrelated natural persons (except for individual entrepreneurs) must not exceed 2 per cent of the normative capital of a bank or a non-bank credit and financial institution.

The maximum amount of risk per insider – a natural person (except for an individual entrepreneur) and interrelated legal entities and (or) interrelated natural persons being individual entrepreneurs must not exceed 15 per cent of the normative capital of a bank or a non-bank credit and financial institution.

The maximum amount of risk per insider – a legal entity (or a natural person being an individual entrepreneur) and interrelated entities must not exceed 15 per cent of the normative capital of a bank or a non-bank credit and financial institution.

91. The norm of aggregate amount of risks with regard to insiders and interrelated entities shall be set as a percentage ratio of the aggregate amount of all risks with regard to insiders and interrelated entities versus the normative capital of a bank or a non-bank credit and financial institution.

The aggregate amount of risks with regard to insiders – legal entities (or natural persons being individual entrepreneurs) and interrelated entities and with regard to insiders – natural persons (except for individual entrepreneurs) and interrelated legal entities and (or) natural persons being individual entrepreneurs must not exceed 50 per cent of the normative capital of a bank or a non-bank credit and financial institution.

The aggregate amount of risks with regard to insiders – natural persons (except for individual entrepreneurs) and interrelated natural persons (except for individual entrepreneurs) must not exceed 5 per cent of the normative capital of a bank or a non-bank credit and financial institution.

92. Insiders and (or) their authorized persons may not take part in preparation and making the decision by a bank, the *Development Bank JSC* or a non-bank credit and financial institution to carry out the transaction for giving a credit to them and (or) interrelated entities or other transactions involving an occurrence of risk.

92¹. Approaches for identification of entities recognized as insiders or interrelated entities as well as the procedure and reasons for grouping of interrelated debtors shall be set by a bank, the *Development Bank JSC* or a non-bank credit and financial institution by their own decision.

93. The norm of maximum amount of risk for funds placed in countries not included into the Group A shall be set to 100 per cent of the normative capital of a bank or a non-bank credit and financial institution.

For calculation of the amount of risk for funds placed in countries not included into the Group A, the following assets shall be included into the aggregate amount of claims: any liabilities of banks of countries not included into the Group A towards a bank or a non-bank credit and financial institution; credit indebtedness, indebtedness with regard to the loans provided, including overdue indebtedness, bonds, shares, including those not repaid within due time, other securities of governmental administration agencies, local governance and self-governance agencies, legal entities of countries not included into the Group A.

For factoring contracts, irrespective of payment terms and conditions, a factor (a bank or a non-bank credit and financial institution) shall calculate the credit risk:

for the notification factoring, with regard to a debtor;

for the hidden factoring, with regard to a creditor.

Limits for placement of funds in separate countries and groups of countries, taking into consideration the existing ratings and (or) using other approaches defined by a bank, the *Development Bank JSC* or a non-bank credit and financial institution for country risk assessment, as well as the procedure and reasons for application thereof, shall be set by a bank, the *Development Bank JSC* or a non-bank credit and financial institution by their own decision.

CHAPTER 12 EXCHANGE RISK LIMITATION NORMS

94. The exchange risk limitation norms are calculated as a percentage ratio of the amount of an open position of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in terms of an exchange risk versus the normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution. The real amount of an open position of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in terms of an exchange risk is calculated in accordance with Chapter 7 of this Instruction.

95. In order to supervise the condition of an open position of a bank, the *Development Bank JSC* or a non-bank credit and financial institution in terms of an exchange risk, the following exchange risk limitation norms shall be set for these entities:

the amount of an aggregate open position for all kinds of foreign currencies and precious metals in bank bullion bars, reevaluated bullion bars or reevaluated coins must not exceed 10 per cent of the normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution;

the amount of a net open position for each kind of foreign currency and precious metal in bank bullion bars, reevaluated bullion bars or reevaluated coins separately must not exceed 10 per cent of the normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution;

the amount of a net open position in terms of forward contracts for each kind of foreign currency and precious metal in bank bullion bars, reevaluated bullion bars or reevaluated coins

separately must not exceed 10 per cent of the normative capital of a bank, the *Development Bank JSC* or a non-bank credit and financial institution. For this limitation calculation, the forward part of swap transactions shall not be taken into consideration.

CHAPTER 13

NORMS OF PARTICIPATION IN STATUTORY FUNDS OF OTHER COMMERCIAL ORGANIZATIONS

96. For the purpose of supervision over implementation of investments by banks, non-bank credit and financial institutions, the following norms of participation in statutory funds of other commercial organizations shall be set for a bank or a non-bank credit and financial institution:

norm of participation of a bank or a non-bank credit and financial institution in the statutory fund of a single commercial organization;

norm of an aggregate amount of participation of a bank or a non-bank credit and financial institution in statutory funds of all commercial organizations;

norm of an aggregate amount of participation of a bank in statutory funds of commercial organizations where the primary type of activity is not the banking and (or) financial activity.

97. The norm of participation in the statutory fund of a single commercial organization shall be set to be not higher than 10 per cent of the normative capital of a bank or a non-bank credit and financial institution.

The norm of an aggregate amount of participation in statutory funds of all commercial organizations shall be set to be not higher than 25 per cent of the normative capital of a bank or a non-bank credit and financial institution.

The norm of an aggregate amount of participation of a bank in statutory funds of commercial organizations where the primary type of activity is not the banking and (or) financial activity shall be set to be not higher than 25 per cent of the normative capital of a bank or a non-bank credit and financial institution.

98. To participate in the statutory fund of another legal entity, a bank or a non-bank credit and financial institution must obtain the permission of the National Bank in cases when a bank or a non-bank credit and financial institution acquires, for the purpose of long-term financial investments, a unitary enterprise as a property complex and (or) shares (portions) of another legal entity and (or) in cases when it contributes money to increase the nominal value of shares (or the real value of portions) of such a legal entity and, as a result of such acquisition and (or) such increase of the nominal (real) value, the portion of participation of a bank or a non-bank credit and financial institution in the statutory fund of this legal entity becomes as high as 5 per cent or higher (including the cases when previously this portion was already 5 per cent or higher), except for cases when acquisition of shares (portions) and (or) increase of the nominal value of shares (or the real value of portions) does not involve the necessity for a bank or a non-bank credit and financial institution to contribute additional money, as a result of other shareholders (participants) dropping out and (or) redistribution of internal sources in a legal entity.

99. Withdrawn.

100. To obtain a permission of the National Bank as provided for in Clause 98 of this Instruction, a bank or a non-bank credit and financial institution shall submit a request to the National Bank, with the following information:

name of a legal entity chosen for investments into its statutory fund;

types of economic activity carried out by the legal entity, and its primary type of activity;

information describing its activity and financial situation (including information about the size of the statutory fund, own capital, assets, liabilities and assumed risks);

economical reasons for the contribution feasibility;

information about the assessment of risks in activity of a legal entity chosen for investments into its statutory fund, about the specialists in the bank's or non-bank credit and financial institution's staff capable to assess the investment object's activity and risks, its bookkeeping (financial) and management reporting, development strategy and its

implementation, information confirming that there are no obstacles for implementation of owner's supervision by a bank or a non-bank credit and financial institution with regard to the investment object and for exercising of other rights resulting from the right of ownership with regard to the shares;

- method of investments;

- amount of investments to be implemented;

- aggregated amount of investments including those requested;

- the portion of participation, taking into consideration the requested investments, in the statutory fund of a legal entity in which a bank or a non-bank credit and financial institution participates;

- proportion of investments into the legal entity's statutory fund in the normative capital of a bank or a non-bank credit and financial institution;

- proportion of all investments, including the requested investment, in the normative capital of a bank or a non-bank credit and financial institution;

- information about the compliance with norms of a minimal amount of the normative capital and sufficiency of the normative capital of a bank or a non-bank credit and financial institution, with the requested investments taken into consideration;

- information describing whether an investing bank or a non-bank credit and financial institution has an indebtedness towards the budget and (or) governmental special-purpose budgetary and (or) extra-budgetary funds during twelve months prior to the request submission;

- information describing whether there were cases during twelve months prior to the request submission when a bank or a non-bank credit and financial institution failed to fulfill the claims of separate creditors with regard to monetary liabilities and (or) failed to fulfill its duties in terms of making mandatory payments into the budget and (or) governmental special-purpose budgetary and (or) extra-budgetary funds for three or more days after the due date.

The National Bank shall have a right to ask for additional information about the activities of a legal entity chosen for making investments, for the purposes of analysis of capabilities of a bank or a non-bank credit and financial institution to manage the acquired shares (portions), potential effects for its activities and risks for the legal entity.

101. The following shall be the reasons to refuse to give the permission:

- submission of incomplete and (or) invalid information;

- losses of a bank or a non-bank credit and financial institution;

- facts of repeated failure by a bank or a non-bank credit and financial institution to meet safe operation norms during twelve months prior to the request submission;

- incompletely formed special reserves for cover of possible losses;

- failure to meet the requirements for formation of mandatory reserves deposited in the National Bank;

- indebtedness of an investing bank or non-bank credit and financial institution towards the budget and (or) governmental special-purpose budgetary and (or) extra-budgetary funds during twelve months prior to the request submission;

- the cases during twelve months prior to the request submission when an investing bank or non-bank credit and financial institution failed to fulfill the claims of separate creditors with regard to monetary liabilities and (or) failed to fulfill its duties in terms of making mandatory payments into the budget and (or) governmental special-purpose budgetary and (or) extra-budgetary funds for three or more days after the due date.

- insufficient reasons for the contribution feasibility.

The Chief Directorate for Banking Supervision shall consider the submitted request and, taking into consideration the grounds listed in the first part of this Clause, within one month after the request receipt date, shall prepare a conclusion describing the effects of the investments offered for the activities and risks of a bank or a non-bank credit and financial institution, the bank's or non-bank credit and financial institution's capabilities to manage the acquired shares

(portions), and the feasibility of a decision to satisfy the request submitted by a bank or a non-bank credit and financial institution or to refuse to give a permission.

The decision to satisfy or to reject a request shall be made by the Deputy Chairman of the Board of the National Bank directing the activities of the Chief Directorate for Banking Supervision; if the reasons to refuse exist, the decision may be made by the Board of the National Bank.

National Bank's permissions are valid during one year from the issuance date.

Annex 1
to the Safe Operation Norms
Instruction for banks, 'Development
Bank of the Republic of Belarus'
Joint-Stock Company and Non-bank
credit and financial Institutions

CALCULATION
of the general interest risk amount (*repayment method*)

No.	Zone	Time interval	Risk weight, %
1	2	3	4
1	I	1 month or less	0
		From 1 to 3 months	0.2
		From 3 to 6 months	0.4
		From 6 to 12 months	0.7
2	II	From 1 to 2 years	1.25
		From 2 to 3 years	1.75
		From 3 to 4 years	2.25
3	III	From 4 to 5 years	2.75
		From 5 to 7 years	3.25
		From 7 to 10 years	3.75
		From 10 to 15 years	4.50
		From 15 to 20 years	5.25
		Over 20 years	6.00

Annex 2
to the Safe Operation Norms
Instruction for banks, 'Development
Bank of the Republic of Belarus'
Joint-Stock Company and Non-bank
credit and financial Institutions

CALCULATION
of the general interest risk amount (*time span method*)

No.	Zone	Time interval	Possible variation of interest rate level, %
1	2	3	4
1	I	1 month or less	1
		From 1 to 3 months	1
		From 3 to 6 months	1
		From 6 to 12 months	1
2	II	From 1 to 1.9 years	0.90
		From 1.9 to 2.8 years	0.80
		From 2.8 to 3.6 years	0.75
3	III	From 3.6 to 4.3 years	0.75
		From 4.3 to 5.7 years	0.70
		From 5.7 to 7.3 years	0.65
		From 7.3 to 9.3 years	0.60
		From 9.3 to 10.6 years	0.60
		From 10.6 to 12 years	0.60
		From 12 to 20 years	0.60
		Over 20 years	0.60

Modified duration coefficient calculation formula

$$D_m = \frac{D}{1 + r},$$

where

$$D = \frac{\sum_{t=1}^m \frac{t \times C_t}{(1 + r)^t}}{P},$$

where D is the duration;

D_m is the modified duration;

r is the yield before repayment calculated in accordance with the market value of the debt liability;

C_t is the money inflow during the period t;

m is the period remaining to the repayment (for a fixed interest rate) or the period remaining to the next date of revision of the interest rate (for a floating interest rate);

P is the market value of the debt liability.

Annex 4
to the Safe Operation Norms
Instruction for banks, 'Development
Bank of the Republic of Belarus'
Joint-Stock Company and Non-bank
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Exchange risk equivalent coefficients in transactions

No.	The residual period of validity of liabilities of a counteragent in the transaction	Basic asset			
		Debt instruments	Foreign currency, precious metals in bank bullion bars, reevaluated bullion bars or reevaluated coins	Equity instruments	Commodities
1	1 year or less	0.00	0.01	0.06	0.1
2	Over 1 year and up to 5 years inclusively, or undefined period	0.005	0.05	0.08	0.12
3	Over 5 years	0.015	0.075	0.1	0.15

Annex 5
to the Safe Operation Norms
Instruction for banks, 'Development
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Joint-Stock Company and Non-bank
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Values of β by business lines

No.	Business lines	β (per cent)
1	Corporate financing (β_1)	18
2	Trade and sales (β_2)	18
3	Retail banking services (β_3)	12
4	Commercial banking transactions (β_4)	15
5	Payments and settlements (β_5)	18
6	Agent services (β_6)	15
7	Asset management (β_7)	12
8	Retail broker services (β_8)	12